

141082

JPRS-LAM-88-015
15 April 1988



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

Latin America

DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited

REPRODUCED BY
U.S. DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL
INFORMATION SERVICE
SPRINGFIELD, VA 22161

19990429 091

10
53
A04

Latin America

JPRS-LAM-88-015

CONTENTS

15 APRIL 1988

ARGENTINA

Recent Oil Field Discovery Termed Most Important in Decade	1
Economic Report Predicts Difficulty Achieving 1988 Goals	2
Business Sector Endorses Open Economy Measures	3
Ciminari on Industrial Promotion, Export Incentives	4

BOLIVIA

Fifth CEP Meeting To Be Held in April	7
Analysis of Economy in 1987 Predicts Growth in 1988	7
Economists Evaluate Debt Payment Possibilities	9
Simon Reyes on Labor, Economic Issues [Simon Reyes Interview; CORREIO BRAZILIENSE, 21 Feb 88]	9
Oil Exploration Operations Termed Negligible	12
New Markets for Natural Resources Sought	12

BRAZIL

Ceara Governor Views Sarney, Elections, Candidates	14
Finance Minister Nobrega, Principal Advisers Profiled	16
'Huge' Oil Deposits on Marajo Expected To Rival Saudi Fields	18
Cooperation With Cuba in Biotechnology, Meteorology Viewed	19
Revenue Losses From Wildcat Gold Prospecting Assessed	19

CHILE

Business Leader on Support for Pinochet	21
Preplebiscite Economic Changes Described	22
Seasonal Workers Union Organizing; Working Conditions	24

COLOMBIA

Colombian Press Review	26
Postelection Functions, Resources of Mayors Reviewed	26
UP Leader on Violence, Insurgency, Paramilitary Groups [Bernardo Jaramillo Interview; BOHEMIA, 22 Jan 88]	29

COSTA RICA

Contra Adviser Questions Repatriation Policy	32
Price Controls, Inspections Explained	32
Banana Export Figures	33

CUBA

U.S. Military Policy After Elections Viewed	35
Fighter Pilot Recounts September Downing of Mirage in Angola	35
Perestroika Explained in Newsmagazine, FAR Daily	36
Economic Reform, Glasnost Discussed	36
Changes Relevant to Armed Forces	38
Facilities for Pan American Games Under Construction	39
Data on Sports Personnel Overseas	39
Construction of EXPOCUBA Slowed by Personnel, Material Shortages	39

NICARAGUA

Recent Political, Economic, Social Developments	42
---	----

PERU

New Economic-Measures Package Viewed	44
Economic Editor Urges Measures To Slow Inflation	44

TRINIDAD AND TOBAGO

Robinson Discusses, Refutes Threat of Dictatorship [Clevon Raphael; SUNDAY GUARDIAN, 6 Mar 88]	48
Central Bank Reports on 1987 Economic Performance [CANA, 16 Mar 88]	48

Recent Oil Field Discovery Termed Most Important in Decade

33480082d Buenos Aires LA PRENSA in Spanish
23 Feb 88 pp 1, 4

[Text] The petroleum and gas deposits that were discovered recently in the southern basin off the coast of Tierra del Fuego by a private French-Argentine-German consortium are, from the energy standpoint, "the most important finding of the decade." The discovery will call for a weighted investment of \$1.5 billion, announced the secretary of energy and head of Government Oil Deposits (YPF), Jorge Lapena, yesterday.

He also pointed out that these deposits, together with the "giant" reserve at Loma de la Lata, which was discovered by YPF experts in the 1970s, are "the most important discoveries of the last 20 years."

Lapena explained that in two of the 11 deposits discovered in the Austral Sea, "an investment of more than \$430 million" was made. He also predicted that "by next May the fourth international call for bidding under the Houston Plan will be issued."

160 Million Cubic Meters

The official also reported that the probable gas reserves discovered recently amount to 160 million cubic meters, although "they are still being evaluated." He went on to note that under current legislation, "the petroleum and gas discovered belong to the indispensable and inalienable patrimony of the nation."

In this regard, Lapena added that the contracting consortium is therefore "obligated to turn over the hydrocarbons to YPF," while the latter will pay for the gas at a rate of 27 to 35 percent of the international price of the caloric value of an equivalent petroleum.

Lapena confirmed the discovery of hydrocarbons off the coast of Tierra del Fuego during a press conference he gave to journalists accredited to this sector. He told the press that the value of the gas amounts to approximately 25 percent of known gas reserves.

"However," Lapena went on, "a detailed evaluation with a better knowledge of the reserves might change those figures to anywhere from 17 to 45 percent of the total reserves known to date in the country."

Firms Involved

The consortium made up of the firms Total Austral (France), Deminex Argentina (Germany), and Bidas Austral (Argentina) signed the contract for the exploration and eventual drilling of the southern basin for hydrocarbons during the military regime, in 1978.

Of the original area of 9,897 square kilometers, by the end of the first period of exploration (4 years) the contractor had completed 50 percent. At present, the consortium is working on the remaining area, 4,948.500 square kilometers.

The exploratory phase is divided into four periods, with 4 years allocated to the first, 3 years for the second, and 2 for the third, while the fourth period is "optional for the contractor." At that time the YPF will evaluate the need for a fourth period, which would entail 2 additional years.

The Drilling period is set at 20 years from the time that the deposit is declared commercially viable.

The press conference was also attended by the top officials of the private consortium: Pierre Dupal for Total, Carlos Schenzle for Deminex, and Alejandro Bulgheroni for Bidas. Also present were the undersecretary for fuels, Hector Formica, and YPF Vice President Juan Carlos Colombetti, as well as other officials of the government energy sector.

As stated by Lapena first and then by Dupal as head of the consortium, the exploratory activity in the basin was "highly satisfactory, prompting the contractor to declare the commercial viability of two of the 11 deposits discovered. They are Hidra, declared last December, and Ara, formalized in 1986."

Commercial Viability

The declaration of commercial viability was put aside after the contractor evaluated a number of structures that led to estimates of approximately 7.3 million cubic meters of condensed petroleum reserves in Hidra and about 15 million cubic meters of condensed gas in Ara.

In addition, in 1989 and 1990 the drilling phases are expected to begin in Hidra and Ara, respectively. These will be the first of the 11 deposits to be put into production.

Sources in the private sector later explained that the progress made on these deposits is a "clear" example of the "success" assured by the "government's exploration policy," which was formalized through the so-called Houston Plan of 1985 and "encouraged by the direct intervention of the current secretary of energy" through the modifications and "aggiornamientos" [updating] of the risk contract with partnership.

This coincides with what Lapena emphasized, to the effect that no effort will be spared "to consolidate self-sufficiency and produce exportable surpluses of hydrocarbons."

In this connection, the official asserted that his agency "is vigorously promoting the policy of searching for new hydrocarbon deposits, avoiding any kind of bureaucratic

delays." He also recalled that the YPF "has devised a strategic exploration plan that will be publicized and implemented sometime this year."

The contractor verified the existence of an "obviously gas-bearing" deposit which it called Carima. State Gas has suspended the declaration of commercial viability for this deposit "because the anticipated demand is being met by other deposits."

08926

Economic Report Predicts Difficulty Achieving 1988 Goals

33480082a Buenos Aires LA PRENSA in Spanish
28 Feb 88 p 2

[Text] The Professional Council of Economics released an abstract of its "Short-Term Economic Report" for this month, in which it asserts that the most negative aspects that were already evident toward the end of 1987 are now worsening.

The document notes in particular that the impermanent nature of the mechanism to freeze prices, wages, public service rates and the exchange rate, which was imposed in the middle of last October, suggests that there are major imbalances. These imbalances conspire against the stability of prices, both absolute and relative; it should be noted in this regard that the inflation rate for January was pegged at 9.1 percent for consumer prices and 12.1 percent for wholesale prices, and that significant increases are also expected in February.

Prices

From the standpoint of the structure of relative prices, it is undeniable that there are strong sectoral pressures for a recomposition of income. Wage-earners have lost ground in the framework of the anti-inflation policy, to the point that in 1987 average pay in the industrial sector fell by more than 11 percent, according to official statistics. The public sector, in turn, is trying to bring down the budget deficit by raising rates, a decision which chimes in with the recently established increase in taxes. In addition, private businessmen are trying to improve their relative position through prices as the decline in production and sales (given the recessive bias that has prevailed in recent months) squeezes their overall revenues.

Exchange Rate

As for the exchange parity, some additional reflection is in order. On the one hand, the commercial exchange rate is at a historically high level, and the authorities are also maintaining its real value by means of constant devaluations that reduce the possibility of a drastic change in the parity.

With regard to the exchange rate on the free or financial market, however, the equilibrium value is very closely tied to economic agents' expectations for the balance of payments in the immediate future. In this case, parity depends heavily on the degree of success that is achieved in refinancing the foreign debt interest that falls due this year.

Foreign Debt

The greater the discrepancy between the refinancing obtained and payment commitments, the higher the equilibrium level of the free exchange rate. And if the goal is to keep the exchange gap to within certain limits, the level of the commercial exchange rate will also have to be higher.

As far as international refinancing is concerned, our country recently obtained a stopgap loan from the U.S. Government to tide us over until the credit quotas granted in 1987 by the IMF and the creditor banks are straightened out. At any rate, the additional financing for this year (for which negotiations will begin in March) remains to be worked out. As has already been pointed out, this situation has an impact on the exchange rate parity.

Interest Rate

The exchange rate, on the other hand, has an effect on the interest rate—as a function of the arbitration between australes and foreign currencies—and on wages. These variables, in turn, play a decisive role in the determination of the level of activity. Clearly, then, the financial negotiations abroad have an tremendous influence not only on the exchange rate, but also on other key variables of the domestic economy.

Finally, it should be noted that not only because of the external restriction, but also because of the reduced credibility of the current anti-inflation policy, the economic picture throughout 1988 will very likely be influenced by the transactional nature of the official position, a circumstance which will limit the temporary framework of decisions.

Prospects

Given the present configuration of the structure of relative prices and the difficulties involved in making one or more key economic variables serve as an anchor for the price system (witness the difficulties in establishing the minimum wage, for example), it is reasonable to project a situation of rising inflation even if the level of activity declines in various sectors of production, particularly in the manufacturing industry.

In any case, despite the deterioration of the economic situation, officials reiterated in the recent letter of intent sent to the IMF that they plan to adhere to the current program. If so, it is not likely that they will achieve their

objectives of boosting the GDP and lowering the annual inflation rate, as indicated in the aforementioned document, and it is even less likely that they will be able to make the announced structural reforms.

08926

Business Sector Endorses Open Economy Measures

33480082b Buenos Aires CLARIN in Spanish
14 Feb 88 p 22

[Text] The Argentine Business Council (CEA) "shares the opinions expressed by the economic authorities with regard to the advantages of opening up the economy," but warns that "unfortunately, it would appear that this is taking place within a conceptual context in which external competition is regarded as an alternative to price controls within the framework of the struggle against inflation." This is the gist of a statement issued by the CEA, in which it cites the need to devise a comprehensive program to liberalize the economy. "The private sector should play an active role not only in executing but also in designing such a program."

The Council's document is titled "Program of Economic Liberalization." The CEA defines itself as "a non-sectoral agency, if we compare it to the various business chambers that exist," and demands to be able to participate in the drafting of such a program along with the sectoral chambers. The first part of the CEA document consists of a diagnosis of "closed models or inwardly-directed growth programs" that "were based in general on import substitution, primarily with regard to industrial products, and on the withholding of duties on traditional exports." These programs were "instrumentally based on the use of tariffs, differential exchange rates, quantitative controls, and market reserves."

In the Council's view, "the inherent weakness of the inwardly-directed growth process has been very obvious since the 1970s, when it became apparent that the structure of the economy cannot guarantee a growth rate anywhere near that of the developing countries that adopt liberalization strategies."

It goes on to say that "the situation is complicated by the existence of major fiscal imbalances and by efforts to correct their effects on the external balance through even stricter controls on foreign trade." The Council believes that, on the contrary, "opening up to foreign competition provides an opportunity to participate in the conquest of international markets, while at the same time exerting a dynamic influence on domestic competitiveness and improving the allocation of resources, which is the key to attaining economic growth and enhancing the general welfare."

Monopolies

The CEA does not share the view that "a high degree of protection allows for local monopolies, which serve to fuel inflation." In this regard, it argues that "monopolies would be sources of high prices, not rising prices, and it is up to justice authorities to oversee them and curtail any abuses that might occur." Moreover, "the greatest excesses are seen in the case of goods and services that cannot be traded abroad, such as those provided by some state enterprises, and in productive links that are so atomized they are unable to attain normal levels of competitiveness."

The Council believes that "to a great extent this situation is rooted in the unwillingness of those sectors to resist union pressure. As a result, a top priority must be to make labor regulations more flexible in order to place these businesses in a better position to resist such pressures and to face foreign competition."

The CEA also recalls the relationship between the fiscal deficit and the demonetization of that deficit in the dynamics of the inflationary process. It cites the book "Public Spending in Argentina" (1960-1985), which the CEA put out in July 1987.

"Disincentives"

The institution uses these arguments to advance its thesis that "opening up the economy to imports merely as a means of fighting inflation would be a serious mistake whose consequences could be a disincentive to industrial activity." From its point of view, "the solution to inflation includes balancing the fiscal accounts, while the solution to growth involves deregulation, reducing the weight of the state, and opening up the economy in an orderly and effective manner." It goes on to state that "this opening, decidedly oriented toward exports, is the feature that should be highlighted as the primary and constant characteristic of the country in the future; by the same token, the specter of the state as a dead weight on the shoulders of society should disappear from that future vision."

Competitiveness

Along these lines, the CEA proclaims its support for "policies that aim to improve the private sector's capacity to compete on the international market." For this purpose, however, "new investments must be made in the areas where the private sector perceives a comparative advantage in light of the new tariffs, and the equilibrium exchange rate must be in keeping with the explicit objectives set forth for the balance of payments and liquid reserves." And this objective, in turn, requires "the total elimination of exchange restrictions, while incentives must be adequate, stable, and therefore unhampered by any elements of the discretionary or short-sighted management of the economy."

Later on the CEA study explains the reasons why, in its judgment, sectors lacking in comparative advantage should not be protected: "The result is the very same closed, easy-street economy that the economic authorities recently denounced." It points out that "many sectors that today owe their lives to protectionism need it to make up for the protection provided to some of their suppliers, or to compensate for the distorted value-added prices and the low real exchange rate."

Hence the position that "for the purpose of ensuring that it is the efficient sectors that expand, the tariff structure must be much more uniform than it is today." In other words, "import tariffs must have a narrow range, and all kinds of exchange and quantitative restrictions must be eliminated." Nevertheless, the Council warns that "the absolute uniformity of tariffs may be considered too drastic to be implemented immediately." It proposes as an alternative "simple transition mechanisms based, for example, on the adoption of very few tariff brackets pegged to value added, and on the existence or absence of domestic production."

Efficiency

The CEA predicts that "the reduction and gradual unification of tariffs will boost Argentina's industrial efficiency and bring down domestic prices, which will benefit the entire economy." It also warns, however, that "adequate anti-dumping legislation is an indispensable complement to a tariff reduction program." It also takes into account the possibility that "protectionist schemes by third countries might require specific compensatory measures, which will be taken to the extent that they are supported by a clear and unequivocal legal framework." As for anti-dumping rules, the Council proposes that "if the price of an imported product is lower than the sales price on the domestic market of the country of origin plus freight costs to Argentina, that should be considered dumping, and the difference should be added to the tariff. It should be up to the importer to prove the contrary."

Another important point for the Argentine Business Council is the "short-term difficulties and social costs" that could result from an orderly liberalization program. Consequently, it emphasizes the need to "generate specific measures and to obtain external assistance to finance the costs of making the transition to a new, more competitive, more efficient structure that yields better remuneration for the factors of production."

It also argues that "dismantling a protectionist system is politically more difficult than implementing it," but "the difficulty of the task should not obscure the fact that tariffs do not protect the country from the rest of the world, but give specific sectors an artificial advantage over the rest of the community." The Business Council notes that "protection allows the expansion of inefficient sectors at the cost of higher prices for those who demand their products." Furthermore, "this additional cost must

be absorbed by the rest of the economy, and thus its competitiveness declines and the development of industries that could be competitive worldwide is inhibited."

Deregulation

In the final portion of the study, the Business Council warns that "there is still a long way to go. The liberalization measures must be made more far-reaching, while on the other hand there is a burdensome regulatory system that contributes heavily to the 'Argentine cost.'"

Moreover, "the revamping of labor legislation should serve to free the forces of production further and to eliminate the rigidities and costs of the present system, allowing also for increased competitiveness and improved income for labor. Employment sources that constitute real growth opportunities for Argentine workers should not only be maintained, but actually expanded." Thus, the report emphasizes that "to make this liberalization program a reality, it is essential that the private sector play an active role not only in executing but also in designing the program, or else it is certain that the measures implemented will generate more opposition than acceptance."

Finally, the document states: "The Argentine Business Council, which is a non-sectoral agency if we compare it to the various business chambers that exist, believes that its participation in the drafting of the program along with the sectoral chambers could result in a highly positive contribution that would achieve the desired results. The Argentine Business Council firmly supports a continued program to turn the authorities' correct diagnosis into quick action."

08926

Ciminari on Industrial Promotion, Export Incentives

33480082c Buenos Aires CLARIN in Spanish
14 Feb 88 pp 2-3

[Interview with Secretary of Industry Juan Ciminari; author, date, time, and place not given]

[Text] [Question] Aside from the exchange rate, what is the difference between this liberalization program and that of Martinez de Hoz?

[Answer] There are several differences. The key is to see clearly what the objective of the measure is. At this time, what we have done is to deregulate two sectors, and in turn, to reduce tariffs. In other words, whereas permits used to be required in the iron and steel sector, now they are no longer needed; in the petrochemicals sector, there was Annex II, which no longer exists. On the other hand, we have the reduction of tariffs, which in no way means a reduction of the protection enjoyed by these two

sectors. We began with them because they are so basic, and then we will move on to the other areas of production. It would be a bad idea to begin in the middle or at the end.

These two sectors in particular are still enjoying the same effective protection for a variety of reasons. One is the exchange rate, but in addition, there is a very favorable international situation that makes prices in Argentina even lower than on the world market. If to that we add the remaining tariff, there is no way these products can be imported into our market. In fact, what we are doing is deregulating and making the level of tariffs commensurate with the protection we want in the sector. This has to do, primarily, with the export-oriented boost we want to give the economy.

This means—and here is one of the major differences with the Martinez de Hoz program—that our objective is industrialization, with a specific long-term orientation. For industry to develop, it is imperative that the productive apparatus be in a position to take on the local market as well as the international one.

[Question] Is this because of the contraction of the domestic market?

[Answer] In a situation where agriculture has all the foreign exchange and industry is developed to supply the domestic market, the latter has a ceiling: the limit of domestic consumption. We can no longer live on agriculture, because it alone is not enough to give Argentines the standard of living they want, compared to the top countries. Agriculture alone is not enough, nor can the new professionals, technicians, etc. find work in this field.

Another difference with Martinez de Hoz is that we began opening up the economy with an export-oriented thrust. At this time we are providing incentives amounting to about 25 percent to the export segment. If we add to that incentive a tariff level of 25 percent, obviously whoever makes the investment decisions knows that he will have the domestic market, to the extent that he is competitive on the foreign market. We do not allow him to make a killing on the domestic market, because that will not be enough to make ends meet. So he has to turn to the world market, and we benefit by receiving better products at better prices. This is just the opposite of what Martinez de Hoz did, because he opened up the market for finished goods, and sent them out to compete with a subsidized dollar and with negative protection. Meanwhile, basic inputs were still regulated and enjoyed infinite protection.

Our revolution lies in beginning with the basic sectors and eliminating infinite protection. We have done this in a rational manner, and therefore no industry will shut down, because we have even considered specific scenarios.

[Question] And what if an industry is inefficient in relative terms?

[Answer] The idea is to maintain what is there now. But not forever, just long enough for that industry to reconvert and operate efficiently.

[Question] Is anti-dumping legislation effective?

[Answer] During Martinez de Hoz' time, anti-dumping measures were utilized after the fact. Once the damage was proven, steps were taken, but by then it was too late. We are going to work with an anti-dumping system that takes effect before the fact: When someone requests an import affidavit, the country and the prices will be listed. If we and the chambers in each sector discover a suspected case of dumping, the transaction will be suspended, a quick study will be made, and all the necessary compensatory duties will be levied in order to prevent such unfair trading.

[Question] But Japan grew with a policy that had no trace of openness.

[Answer] No, I don't want to compare us with Japan. What we are doing is replacing the para-tariff protection with an open system that will provide adequate protection to national industry. We cannot remain cooped up in a henhouse where everyone produces at whatever prices, quantity, and quality he wants.

We are really talking about opening up the economy, but this is a partial view, and it has generated a certain amount of opposition. If this were really all there were, I would oppose it too, because that is being just like Martinez de Hoz. What we want is industrialization and incentives for exports.

[Question] Nevertheless, how can we solve the problem of the costs of inefficiency that local industry must bear?

[Answer] The situation is not ideal right now. Some complain that they must bear what is known as the "Argentine cost," and that is true, because we have a structural inefficiency. Much of that inefficiency comes from the state itself, while other parts of it come from the private sector. The tariff levels we have set take into account just these differences. From this point on, we will begin to discuss the specific cases of each industry, and we will begin to attack these structural problems.

[Question] Does this include the differences derived from the various industrial promotion programs?

[Answer] Yes. That's why I think this is the right time to get started, because we are at a good juncture internationally, and without damaging industry we can begin discussing the important issues, such as the serious inequities created by the differences between the industrial promotion programs.

[Question] How can the matter of opening up the economy be complemented by that of investment and export promotion?

[Answer] In these basic sectors, there are already firm investment plans, and that is why I insist that we must talk about deregulation, not opening up the economy. And the most important thing is that investments will be produced in other sectors, which will be the next ones to be deregulated. And since they will not be able to set whatever price they want, they will be competitive on the domestic market as well as the export market.

[Question] Within this scheme of things, will exporting be facilitated, or will the present obstacles remain?

[Answer] Indeed, we are making progress on the "Simplex" project. A consulting firm is helping us, with the participation of the private sector, to arrive at a simple system with a minimum of procedures for exporting. As it stands now, an exporter loses all his momentum as he wades through the red tape. We don't want to export more just to pay off the foreign debt; we want to export more so that we can import more and live better.

08926

Fifth CEP Meeting To Be Held in April
33480083b La Paz PRESENCIA in Spanish
31 Jan 88 p 6

[Text] ANF—The agenda for the Fifth Meeting of the Permanent Economic Commission (CEP), to be held in La Paz this April, cites as a main topic an analysis of the bilateral situation between Bolivia and Argentina, in the commercial, financial, and economic areas, particularly with regard to the granting of commercial facilities on the part of both nations.

The document setting the agenda for this binational meeting was announced today; explaining that, in addition to these topics, there will be a discussion at the meeting of the use of credit lines from the Central Bank of the Argentine Republic, the renewal of the government-to-government credit line, and other issues associated with exports of Argentine products to our country.

Another subject to be discussed at the meeting relates to a reduction in interest rates for financing Bolivian imports of Argentine products, as well as the study of options for achieving business complementation on the private level in the oil, iron and steel, and agroindustrial sectors.

Also included on the agenda is the topic of sales of Mutun's iron to Argentine business firms, and the possibility of forming binational companies.

On 23 November of last year, both countries formed a special development fund, the agreement for which was signed by Foreign Ministers Guillermo Bedregal and Dante Caputo, on the occasion of a visit paid by the former to analyze the bilateral relations and the prospects of greater commercial rapprochement.

For this purpose, the government of the neighboring country pledged a donation of 10,000 tons of wheat, to be shipped during the current fiscal year, with the domestic sale of which the first special fund projects will be undertaken. The memorandum of understanding signed by both foreign ministers states that they would serve to finance projects and activities of mutual interest.

In addition, six task forces were formed, which will submit reports on the specific topics agreed upon, relating to the establishment of a free trade zone in Rosario, for use by Bolivia.

At the Fifth Meeting of the CEP, the five task forces will report on the bilateral railroad situation, and border and energy integration, as well as making an assessment of water resources and energy potential in the border region.

2909

Analysis of Economy in 1987 Predicts Growth in 1988

33480083e La Paz EL DIARIO (CULTURAL Supplement) in Spanish 14 Feb 88 p 2

[Article by Rolando Kempff Bacigalupo: "The Bolivian Economy in 1987"]

[Excerpts]

Policy in the External Sector and Exchange Balance

The exchange measure used was that of a foreign currency competitive bidding system, run by the Central Bank. Free exchange was established, and the restrictions on the use of foreign currencies for internal transactions were eliminated. Through the use of these measures, the foreign currency black market was eliminated. Also decontrolled was the marketing of foreign currency through banks, exchange offices, or individuals, whereby the free exchangers were multiplied.

Between September 1985 and September 1986, the Central Bank managed to accumulate \$148 million in current and capital transactions. These increments in foreign currency supplies made it possible to finance sales through the curb market expedient, and, consequently, to maintain the stability of the exchange rate at 1,920,000 Bolivian pesos per dollar, during fiscal year 1986.

During 1987, a new currency, the boliviano, was created, and six zeros were eliminated. As of 31 December 1987, the official exchange rate closed at 2.21 bolivianos per U.S. dollar.

During fiscal year 1987, the devaluation of the boliviano amounted to 11.56 percent, based on the closing variation in the official exchange rate of 1.92 bolivianos, as of 31 December 1986.

During 1987, the exchange balance shows a deficit of \$147 million, according to an estimate. The revenue is estimated at \$656.6 million, and the outlays at \$804.1 million.

Gold and Foreign Currency Reserves, Balance of Payments

With the new economic policy, a sizable increase was made possible in the level of foreign currency reserves. To date, it is estimated that there is an approximate sum of \$414 million available. An exchange balance has been achieved. Nevertheless, its future depends on the supplies of foreign currency. That balance could be consolidated with a suitable attraction of external funds, raising the country's production and productivity.

The volume of reserves is very important for every country's development. It is considered necessary for these reserves to be based on the balance of payments deficits regarded as likely, with a view toward the future and the different possibilities for financing these deficits.

For fiscal year 1987, a negative balance of payments is estimated; hence it is extremely important to have positive gold and foreign currency reserves, and for an increment to occur, depending on the country's requirements.

Budget of the Fiscal Sector and Public Enterprises

The budget for fiscal year 1987, in the fiscal sector and public enterprises, was approved at 5.7342 billion bolivianos, equivalent to \$2.8671 billion. The total deficit was estimated at 663 million bolivianos; in other words, \$336 million. The coverage of this deficit was planned through the foreign debt.

Renegotiation of the Foreign Debt

During 1987, a fund was created for buying back Bolivia's foreign debt. This trust fund has been managed by the International Monetary Fund. Thus, Bolivia will be able to buy back its debt, and may be the first country to succeed in buying back its private sector foreign debt. In many instances, the international private banks have penalized Bolivia's debt up to 90 percent; for which reason it has become feasible to buy back the Bolivian private sector foreign debt with the donations made by countries friendly toward Bolivia, gifts which are administered by the International Monetary Fund.

A suitable renegotiation of the foreign debt will also bring about exchange stability and fiscal equilibrium. It could also affect economic recovery, because it would restrict the importing capacity and establish new financial resources.

Bolivia is no exception to the crisis of Third World countries, with a very large foreign debt. The amount contracted as of 1985 totaled \$4.820259 billion, and the debit sum, \$3.227111 billion.

Latin America is the region with a large portion of the Third World foreign debt. Argentina, Brazil, and Mexico alone owe a total of \$260 billion. These three countries have comprised the group of debtor nations known as G3, and during 1987 requested that the international agencies ease their terms and curtail interest rates.

Commercial Policies

The new economic policy establishes an import duty of 20 percent of the product's value. The para-tariff measures applied to commerce were eliminated, and the tariff on imports was unified. Regarding the commercial policy, with a single tariff rate for the entire tariff

universe, there have been requests from business owners that a differentiated tariff be established for capital goods and for the equipment for the country's industry.

Financial Aspects

Decree 21660 was promulgated on 10 June 1987, for the purpose of laying the groundwork for economic reactivation.

Non-traditional exports were established as the basis for the country's economic reactivation, and for this purpose, the tax incentives system was reinstated and the necessary mechanisms were created to allow credit to be granted to the private sector from the Special Economic Reactivation Fund (FERE).

Decree 21660 establishes the recovery of the national economy as a process for promoting economic growth, for which it states that external means will be promoted to finance the economy, in an approximate amount of \$1.6 billion, \$403 million of which would be allocated for private sector activity.

Moreover, the Special Economic Reactivation Fund was established, with \$60 million for the country's production sectors. The payments made to the productive sector by FERE, and also by external financing lines, such as international agencies, have been minimal; therefore, the country's economic reactivation has been curtailed.

Contributing to the fact that no timely outlays were made by the Special Economic Reactivation Fund have been bureaucratic factors and the fund's temporary suspension, as well as the delay in approving the regulations for its operation. All these problems have been solved by now, and it is expected that the fund's disbursements will be speeded up by 1988. During 1987, public and private investment amounted to a total of \$270 million, with the public sector absorbing \$200 million of that investment, and the private sector, the remaining \$76 million. According to reports from the Central Bank, approximately \$400 million was paid out in soft financing lines originating in the World Bank, the Inter-American Development Bank, the International Monetary Fund, and the Andean Development Corporation.

Exports

In order to give the non-traditional exports sector an incentive, the government has established the Tariff Refund Certificates (CRA), amounting to 10 percent, as a spur to exports. This incentive could foster the nation's non-traditional exports; however, to date 10 percent has not been obtained for the exporting sector, and this incentive has been confined to mere promises.

According to information from the Central Bank, the estimates of FOB exports during fiscal year 1987 total \$445 million, for 1987. In 1986, exports totaling \$545.5 million were made.

The trade balance during fiscal year 1987 is negative, with a deficit of \$295 million.

Prospects of the New Economic Policy

The goals set in the new economic policy have been achieved with control of the external imbalance and internal stabilization. Hyperinflation has been successfully reduced, and a phase of confidence has begun with stable currency. Nevertheless, the main motivation for the future will have to be based essentially on the reactivation and reorientation of the productive system. Otherwise, it will be impossible to increase investment and, consequently, employment and wages.

For 1988, the country's exporting sector and the promotion of non-traditional exports are very important. Moreover, the agreements for gas sales to Brazil, and the oil and gas sectors, constitute the essential mainstay. In the oil sector, a budget for fiscal year 1988 amounting to approximately \$400 million in investment has been projected. In fiscal year 1988, the mining sector and the gold area as well have future prospects, but the most important thing is to be able to speed up both the loan outlays coming from FERE and the loans and lines of credit from international agencies.

Based on the economic reactivation plan, a growth of at least 6 percent is anticipated for 1988, with an approximate investment of \$1.4 billion. Let us hope that these measures attain the goal aimed at economic growth, and that more goods and services can be produced to improve the Bolivian's quality of life.

2909

Economists Evaluate Debt Payment Possibilities 33480083c La Paz PRESENCIA in Spanish 19 Feb 88 p 9

[Text] During the next 10 years, Bolivia will have to pay an average of \$418 million annually, according to a claim made by a group of professional economists who analyzed the topic "financing of development" in Bolivia.

The group, comprised of over a dozen professionals of various political and ideological persuasions, meets with a certain amount of regularity, to debate the main problems of the Bolivian economy in an "economic forum", under the sponsorship of the Latin American Social Studies Institute (ILDIS).

As a starting point, the economists took the total debt accumulated as of 30 June 1986, amounting to \$3.667 billion; and they claim that, so long as the interest is 2 percent per year, Bolivia will have to pay an average of \$418 million annually over the next 10 years.

To cope with this debt, the country has a payment capacity that will fluctuate between \$97.2 million and \$132.8 million, depending on the growth of the economy.

The members of the "economic forum" claim that, in order to have the first-mentioned sum available, the economy would have to grow between 3 and 6 percent, respectively, discounting new credit requirements.

The possibilities of paying the Bolivian debt are also based on other hypotheses.

For example, it is claimed that, to meet the payment of \$418 million, in addition to economic growth between 3 and 6 percent and a 2 percent interest rate, an increase in domestic savings with respect to the gross domestic product (GDP) amounting to 10-12 percent, and a substitution of imports, would be required.

2909

Simon Reyes on Labor, Economic Issues 33420074 Brasilia CORREIO BRAZILIENSE in Portuguese 21 Feb 88 p 23

[Interview with PC Deputy Simon Reyes by CORREIO BRAZILIENSE reporters Geraldinho Vieira and Mila Petrillo in La Paz; date not given]

[Text] What agreements are possible with a labor leadership which accuses the government of being in the hands of an uncompromising oligarchy where the most important national interests are concerned? Moreover, what are the priorities asserted by the Bolivian Labor Federation? For the second consecutive year the COB and the government are seated at the negotiating table, but the workers want a minimum wage of more than \$200 contrasted with the current \$25. Bolivia might again come to a standstill.

Communist Party Deputy Simon Reyes prefers the leadership of the COB to parliamentary participation. Elected last year to replace Juan Lechin, COB's founder and the country's historic labor leader (now 78 years old), Reyes heads up an extrapartisan COB with the support of leftist factions. Since the first of the year he and his advisers have been sitting at the negotiating table every day attempting, together with the government, to establish investment priorities and a new wage reality for the Bolivian worker in 1988. Defending his position despite pressure exerted by the opposition, Simon Reyes accuses the Paz Estenssoro administration of submitting to the regulations dictated by the IMF and promoting

monetary stability by depriving the people and using illegal dollars deriving from the drug traffic; he also harshly criticizes the nationalization of the Bolivian financial system.

Simon Reyes held a press conference with CORREIO BRAZILIENSE reporters Geraldinho Vieira and Mila Petrillo and was quite candid: "We are closer to the Brazilian workers than to this oligarchy of bankers who comprise the present regime and with whom the only thing we have in common is the fact of having been born in the same country."

He then went on to say: "We always seek to discuss our mutual problems, although many times this is not possible; it then becomes a matter of conflict. If we can achieve the workers' objectives with less effort and less sacrifice, we believe this to be a more intelligent path to follow. When a strike is called, no wages are received; this should therefore be the last resort. It stands to reason that we prefer to negotiate with the government rather than engage in conflict, at least to the point where we can see possibilities for agreement. In truth, with or without a strike, we must discuss the problems with management and the state.

"At the conclusion of this round of discussions with the administration, initiated at the beginning of this year, we shall hold a big national rally to evaluate all the points of agreement and disagreement. If the workers do not agree with the administration's final proposals, we shall be constrained constitutionally to call a strike. If this happens, public opinion will be aware of what we are trying to accomplish through negotiation and of the fact that the strike will be the responsibility of the government."

[Question] In one of the series of negotiations the minister of planning told you that at the negotiating table there were neither dogmas nor sins against the Holy Spirit. But he ended up saying that some points come close to "sin." What points would these be?

[Answer] The administration does not want to change its policy; for example, it does not want to alter the wage structure of the workers. The administration wants to adhere strictly to a maximum wage increase of 15 percent which is the index indicated by the IMF. In September of last year this index was already foreseen by the IMF; therefore, for us this is nothing new. This increase is not commensurate with the workers' needs: Consumer prices have gone up and an annual inflation rate of 10 percent does not give the true picture. We are showing the administration what the loss of purchasing power has really been since 1985 when the current regime took office. This is one of the sins which the administration is trying to maintain as "untouchable." Another problem concerns health and education. According to the Constitution, education is a priority item; yet, for many years—beginning with previous administrations—basic education has been deteriorating. Teachers are paid the lowest salaries in Bolivia and

the schools do not have a minimum infrastructure. As for health, our hospitals are faced with a situation of abject poverty, without money to feed the patients or buy equipment and medicine.

[Question] In 1987 most of our available funds were allocated to the Armed Forces.

[Answer] Precisely. We have nothing against the Armed Forces, but the function which they are carrying out is not of a priority nature. Taxes are increasingly higher and still appear to be insufficient for what the government wants. Everything is taxed and surtaxed. Even itinerant sales people, whose numbers are on the rise, are being taxed. These wandering vendors are a proof of the social cruelty with which the government is maintaining its economic policy. The state dismissed no less than 20,000 workers from its mines, while the private mining sector discharged thousands more.

[Question] Are these the miners whom we see in the streets selling a sort of "imported trash," things like batteries, razor blades, cigarettes?

[Answer] Those who are not selling those things in the streets are becoming involved in drug trafficking. Unemployment is the most serious and perplexing problem facing the country at this time. Unemployment leads to delinquency, alcoholism and everything else which is characteristic of poor countries.

[Question] In the meeting between the COB and the administration, to which we were invited, both parties at the negotiating table were asking the same question: How do we go about creating new jobs?

[Answer] We must promote permanent productive sources. The administration established a Social Emergency Fund backed by about \$60 million and is hiring people to repair the roads and carry out certain small government projects; but this does not solve anything because it does not produce anything. You delay the miserable plight of a few workers and nothing more. It is a temporary effort whereas we are calling for investments in productive sectors which are of a permanent nature. In the beginning the government wanted to leave these investments in the hands of private initiative; but private initiative is a fiasco in our country. That effort got us nowhere. This is the economic policy of the current administration: to place financial control in the hands of private initiative, which has never done anything. We believe that it is the public sector which can boost the economy. For example, in Brazil you are producing tin at a low cost, competitive on the foreign market; but our production is very costly inasmuch as we mine at great depths. The crisis in this sector is immense and difficult to resolve. However, if the government boosts production through nationalization, we shall be able to stabilize prices and absorb the work force. The petroleum sector is the only one which is making a profit in our country, but it is not receiving any investments

and therefore is not creating any new jobs. Obviously, civil construction creates jobs; but this will a permanent source of new employment only if it is of the "social construction" type and not the kind which erects a large building but does not resolve the housing problem. A private firm builds for anyone who has money; the government must build for the needy. We are against incentives for private initiative, but in our country private initiative merely consumes foreign exchange; that is, it does not repay the credits which it possesses through investments of a social nature. Therefore, there is a tremendous gap between the values of our exports and imports. Here everything is imported, without restrictions on luxury items, for example. We are a poor country and we are not investing in the purchase of commodities, machinery, etc. Exports have declined; in short, we have every indication that this economic policy is not working. They say that they have controlled excessive inflation, but at an incalculable social cost. What do we gain in having an inflation rate of only 10 percent per year if there is no economic growth? Bolivia is not Switzerland; it does not have excessive inflation, but it also cannot claim to have development.

[Question] The foreign debt, the watchful presence of the IMF and the accumulation of domestic problems cause all Third World countries to ask themselves the same question and have the same doubt: What kind of country are we trying to develop? From this viewpoint, what are the ideological differences between the COB and the current Bolivian regime?

[Answer] The differences are very great. We believe that the economy which was headed toward greater participation by the state should have been maintained. The economy in the hands of the state—even in the conservative hands of Dr Paz Estenssoro—is better for our development, properly speaking, inasmuch as the profits can return to the country in the form of new investments. The private Bolivian firm does not invest its profits within the country; it does not consider the country important; it is the profit which counts. Development or economic stability without social development does not interest us. We can prove that the standard of living and working conditions are now better in state-run firms than in private enterprises. Visit a state mine and then a mine run by private initiative and you will see the difference. It is true that many state initiatives were badly carried out, but this does not mean that the state is an unsuccessful administrator. We contend that the entire financial system should be in the hands of the state, since private initiative nearly always manipulates the funds in a manner unfavorable to the country's development. That is why the Peruvian administration of Alan Garcia decided to nationalize the financial system...and is meeting with great resistance by the oligarchy, bankers and conservative politicians working in conjunction with capitalist firms. Here it is only the banking sector which is growing. This has been occurring for 15 years. It is the intermediary sector with regard to

the huge debt facing the country. What the administration says is a lie: that for each dollar which we pay out we receive two. We owe \$4 billion and our exports do not exceed \$600 million per year. Last year we paid out \$200 million and had a credit of \$100 million. Bolivia is the most submissive country in the world in its commitments with the IMF. It is the only country in the Southern Cone which pays without opening its mouth, without complaining. We suggest that the payments be cancelled. Some American banks consider the money which we owe them lost, for they realize that we cannot pay. Fidel Castro is a great visionary with regard to the foreign debt owed by all countries: 3 or 4 years ago he said that it is impossible to pay off the debt and that it is impossible to collect this debt. It is an immoral debt between the state and the banker inasmuch as from one day to the next the banker can decide to increase the interest rate on that debt, on that contract. It is theft. It is not difficult to imagine what \$200 million means to a country like Bolivia. Our government is submissive, it accepted all the terms proposed by the IMF and the banks. The COB is in total disagreement with the administration's policy: In Bolivia there is no revival of the economy; unemployment is increasing and wages are frozen, but the payment of the foreign debt is punctual.

[Question] How are you proceeding in an effort to confront the government and get across your viewpoints in these negotiations? What influence does the COB have?

[Answer] The COB has been experiencing many internal problems and has lost much of its clout. The current COB is not the same as it was 7 years ago. We were weakened by the mistakes of the previous administration. Perhaps we, too, made mistakes, but we are trying to profit by our past experience.

[Question] In Brazil the principal labor leader just founded a political party. How does the COB fare with regard to the Bolivian parties?

[Answer] We are speaking of two different situations. I do not know if Lula really needed to form a party. Here, all leftist political factions are participating in the COB. Only a few, if any, are not participating subsequent to an overwhelming defeat in the COB Congress last year. No individual party controls the COB; we are pluralists.

The COB is not a political party, but it has considerable political strength. At times it is stronger than any leftist party. A party is a political instrument designed to take over the government; it must have organizational and ideological unity to be strong; the labor movement is more heterogeneous. I do not believe that we should form a political party; I believe that it is preferable to work with all the leftist parties to strengthen all of them. When the COB is strong, the parties are also stronger.

[Question] It seems to us that a country which was the cradle of civilizations which were advanced in many aspects, such as the agricultural achievements of the Incas and pre-Incas, is now experiencing difficulties which seem to ignore the heritage of those empires. How does the question of development and even modernity fit in with regard to what still remains of those past cultures?

[Answer] We have three nationalities: first, the Quechuans who are in the majority and who do the farming; then come the Aymarans. Contrary to what happens in Peru, their languages are not considered official. In our opinion, it is important to preserve their cultural peculiarities while offering possibilities for improving their standard of living. In the schools they should also teach in those native languages and in Spanish, the third nationality. It is a very complex problem, although there is virtually no racial discrimination. However, there is social discrimination. The solution is social, not racial.

[Question] In the final analysis, what does it cost to be a Bolivian?

[Answer] We are a long suffering people with the lowest living conditions on the continent, struggling against an oligarchy which controls the financial system in accordance with the dictates of the IMF. It is the members of that oligarchy who enrich and support the drug traffic. The currency remains stable only through the illegal entry of dollars produced by cocaine. It is not as a useless gesture that the government authorizes the Central Bank to purchase dollars without identifying the source.

08568

Oil Exploration Operations Termed Negligible
33480083a La Paz PRESENCIA in Spanish
3 Feb 88 p 7

[Text] The minister of energy and hydrocarbons, Fernando Illanes, claimed that only 25 percent of the national territory has been explored for oil deposits.

In order to ensure the necessary reserves for domestic consumption on a permanent basis, the country would have to drill from 40 to 50 wells per year.

He expressed regret that nearly all exploration has been stopped over the past 7 years; because this situation has resulted in a decline in the national reserves.

During 1986, only four or five wells were drilled, and last year that number rose to 11. He noted that it is the government's desire to drill at least 20 wells this year.

During 1988, it is planned to invest \$200 million in the state petroleum company.

An effort will be made to interest international private companies in making risk investments, to seek new hydrocarbon deposits in the country.

He denied some rumors in labor circles, citing the lack of petroleum for refining; stressing that, if this raw material were lacking, there would be no gasoline or other by-products.

As for the questioning of YPFB [Bolivian Government Oil Deposits] regarding the submission of reports to international oil companies, Illanes said that the purpose was to have the Shell and Philips firms continue with the certification of reserves and the expansion of areas for study.

He concluded by noting that these efforts will make it possible to begin the drilling work, or to call for international bids.

2909

New Markets for Natural Resources Sought
33480083d La Paz EL DIARIO in Spanish
18 Feb 88 p 1

[Text] According to a statement made by the minister of information, Herman Antelo, Bolivia intends to seek new sources of economic revenue, in view of the situation that it is currently experiencing, due to lack of payments on the part of the Argentine Republic.

Antelo declared: "What must be determined is the source of funds. If the Argentine source is lacking, we must seek new sources of funds; because the new economic policy has been devised to extricate this country from the crisis."

The state official refused to give details relating to the meeting held yesterday by the foreign minister of the republic, Guillermo Bedregal, the minister of planning and coordination, Gonzalo Sanchez de Lozada, and the finance minister, Juan Cariaga, with the Argentine president, Raul Alfonsin. Herman Antelo said that the government deems it fitting not to release any information on that meeting until the foreign minister returns to Bolivia and can submit a detailed report to the president, Dr Victor Paz Estenssoro.

The Foreign Ministry of the Republic kept a unique silence regarding the subject, and refused to provide details on the meeting, held at the "Los Olivos" estate on the outskirts of Buenos Aires.

The reports arriving from the Argentine Republic, received in government circles, were described as "confidential." Based on the way in which this expedient has been used, it is thought that the national proposals did

not meet with the anticipated reception by the neighboring country's executive branch. According to statements by government authorities, a negative action has affected our economy, curtailing all the reactivation plans scheduled to date.

Antelo added: "It has had an effect, because we shall find investment funds greatly cut. It is still too early to say, until we receive the information. We all know that funds from Argentina are vital for our investments, for the regions' funds, and for all the matching funds that we have in the reactivation projects, as well as for the Special Economic Reactivation Fund. Hence, insofar as the country is concerned, we shall have to make decisions. I repeat, this is too early to say, until we have the exact information."

The information minister maintained that, in view of the present situation, the government thinks that new markets must be sought for the natural resources, especially

gas. For this reason, it is engaged in negotiations with the Republic of Brazil, seeking to achieve gains that could be far more significant for the national economy.

Arrival

Today, the foreign minister of the republic will arrive in this capital with the other members of the mission which met with President Raul Alfonsin. After their arrival, they will meet with President Paz Estenssoro, to whom they will convey the results.

It was reported that, depending on that situation, the future decisions that could safeguard the national interests might be made. Bolivia demanded of the Argentine Government approximately \$60 million, which should have been paid last December, but which was not paid owing to a series of factors, thus hurting our economy.

2909

Ceara Governor Views Sarney, Elections, Candidates

81422660b Sao Paulo FOLHA DE SAO PAULO
in Portuguese 10 Jan 88 p A-8

[Interview with Tasso Jereissati, governor of Ceara State, conducted in the governor's office by Marcelo Beraba, director of FOLHA's Rio bureau. Date not given.]

[Text] The PMDB cannot fail to support the federal government. If it does not do so, it could lead the country into a situation of "confusion where no one knows what is going to happen." This is the opinion of Ceara Governor Tasso Jereissati (PMDB), 35, a young businessman whose economic interests are based in the south of the country, winner of a big victory over the colonels who always dominated Ceara politics, and faithful friend of President Jose Sarney. He believes that the president has been showing "skill" in conducting the process of transition to democracy, inasmuch as he has kept the armed forces on the sidelines of the crisis.

In early 1987, Jereissati thought that the idea of holding presidential elections in 1988 was "crazy." Now, in light of the pressure from the general public and the constituent assembly, he reluctantly accepts the possibility. He says that he personally has no favorite candidate, but he praises Sao Paulo Governor Orestes Quercia, whom he says possesses two qualities that he believes are indispensable in a future president: actual administrative and political experience.

The Ceara governor gave FOLHA this exclusive interview in his private office at the Cambeba Administrative Center, 13 km from the center of Fortaleza. He thinks that the Sarney administration has done little for the Northeast, and is unable to do anything. He finds in the federal administrative machine a deep-rooted prejudice against the region.

[Question] The departure of Bresser Pereira from the Ministry of Finance raised a new political issue: The PMDB did not participate in the choice of the new minister. At the same time, there is growing internal debate on the fact that the party is distancing itself from the federal government. How do you view the future of this party?

[Answer] I think that the PMDB should have done that a long time ago, in terms of not interfering with the choice of a minister. I think this is a very big mistake. I believe that the minister of finance, who is the most important advisor to the president of the Republic, must be chosen by the president of the Republic. In a presidentialist regime—and we are still living under a presidentialist regime—direct interference, the direct choice of ministers, is very harmful. It breaks down the hierarchy of the decision-making process within an administration. It deprives the administration of coherence and homogeneity in its decisions. One of the reasons for the problems we have had is that certain ministers were

chosen by parties, and these ministers feel more sensitive to pressures from the parties which chose them than committed to the policy line adopted by the president of the Republic. Under a presidentialist regime, the important thing is that the party's platform—I mean that the actions of the ministries or the ministers, be consistent with the party's platform, with the collective conscience of the party.

[Question] Should the PMDB withdraw from the government?

[Answer] No, I don't think so, not at all. We are at an important juncture, the new Constitution. In my opinion, all the parties should make an enormous effort to see that this Constitution is finished as soon as possible, and within the context of a consensus. And, from that standpoint, the equilibrium of the government during this very last part of the transition is very important. I think that the parties have a very great responsibility in this final year to give the country this sort of tranquillity.

[Question] Do you now accept the idea of presidential elections in 1988, or do you still think that's crazy?

[Answer] I would prefer that the elections not be held in 1988. But I accept the idea. The president himself is accepting it. I would not like to see the issue mixed up with the Constitution. And you can already begin to feel this. People are already beginning to take sides, to become parliamentarists or presidentialists on the basis of blocs associated with this or that candidate. The Constitution must be something durable, not just long-term but forever, and it cannot be involved in 3-month issues. My sense is that we must accept the elections, because the wave of public opinion on this issue is very strong, and this is true in Congress as well. It's not the ideal situation, but if it has to happen...

[Question] The Sarney administration is often described as weak, unable to resolve the political, social and economic problems. What is your appraisal of this government?

[Answer] It is hard to judge the Sarney administration. You have to point out the positive aspects.

[Question] What are those positive aspects?

[Answer] We have succeeded in carrying out a process of transition to democracy that bears little resemblance to anything in the histories of other countries, i.e., to move from authoritarianism to democracy within a very peaceful context. Normally it is unlikely that you can get out of an authoritarian regime and into a democratic regime without a shot being fired. There were no fist-cuffs. Well, there were a few fist fights in Congress just now. But there has been no violence. To get out of a regime in a peaceful context involves tremendous disturbances because society is not yet used to living under a democratic regime. Suddenly the floodgates open, and

out come an enormous number of demands, a great thirst for participation. Everyone is involved today. Here in Brazil we have been living in a sort of picket line atmosphere for some time now. Demands of every type. No one wants to give an inch, no one will yield anything to arrive at a common denominator. I believe that all this is negative, it is part of this opening of the flood-gates, and Sarney has managed to move us along while keeping the armed forces on the sidelines, so far, during this debate. I think this required a great deal of skill. And if you also throw in the economic problems and our politically disorganized society into this cauldron, then you see how difficult the situation is. And he has managed to bring us through it. We are on the eve of a presidential election and he has managed to keep the armed forces, traditionally authoritarian forces, on the margins of this discussion. This is a point that hasn't been talked about.

[Question] You don't seem to project any of this skepticism which I feel is everywhere, and you don't even seem to me to be critical of the Sarney administration.

[Answer] Critical—well obviously, we all are. Now I can't say that the Sarney administration is solely to blame for this skepticism. What I am saying is that the fault lies with a historical circumstance that also includes the constituent assembly. Not because the assembly itself is bad, but because of the uncertainty it causes. We are combining three things at a time. One is the problem of the political transition. Second, the problem of the Constituent Assembly, and we keep searching for investors for the State, offering alternative advantages, and we are not in any position to have a foreign investor come in until the Constituent Assembly reaches a decision. If there are no rules in the game, the country naturally stops, and is perplexed, it's the unknown. Throw in, too, a problem which exploded because of historical circumstances—the problem of the foreign debt, which has become a bottleneck now. You combine this whole bunch of things and you create this skepticism you are talking about and, I agree, all this perplexity which we see. But it's very simplistic for you to say, "It's Sarney."

[Question] But that's the administration that's been in power for 3 years.

[Answer] Of course, but I'm saying that it's not the government, it's a political situation, the fact that we don't have a Constitution, the foreign debt we inherited, which wasn't incurred by this administration.

[Question] Do you already have a favorite candidate for president of the Republic?

[Answer] No, no, no.

[Question] The PMDB's strongest candidate so far is Governor Orestes Quercia, of Sao Paulo. What do you think of him?

[Answer] I think he is a good candidate. I think it would be good if we had a man who had real administrative experience, and he has that, and he is getting it while heading the Sao Paulo government. And he is politically knowledgeable, has political experience. Especially this experience of having contact with mayors, which is very important, since the ministries in Brasilia seem to have difficulty in relations with all levels of the government.

[Question] This profile fits Quercia exactly.

[Answer] I think that the successful candidate must be someone who is willing to modernize the administrative structure. And he must come in with sufficient popular support to accomplish the modernization of the federal administrative structure. That is fundamental. Without it, nothing can be accomplished. I think that our administrative centralization might be the greatest evil afflicting this country at this time. You just can't have a situation where to resolve a sewer problem in a municipality you have to go through ten levels of power in Brasilia that have absolutely nothing to do with that municipality, nothing to do with that problem. This is the reason for the deficit, the reason for the corruption, the reason for the inefficiency, the reason for the apathy, the reason for the inertia.

[Question] Does your desire that presidential elections not be held in 1988 spring from temporary circumstances, or fear that the PMDB might lose them—specifically, to Brizola—because of the decline in Sarney's popularity?

[Answer] No, I'm not afraid of Brizola. I mean, I'm not afraid of him in two senses: I'm not afraid he will win—if he wins, he won, that's part of democracy—nor do I think he is unbeatable. I don't think he is this bogeyman. If he wins, well he won, and we'll just live with him and work so that if we don't agree with him, we can elect another. If the PMDB can maintain a certain degree of stability, it is unlikely to lose the election.

[Question] Has the Northeast improved under the "New Republic"?

[Answer] A clear policy giving priority attention to the Northeast has yet to be outlined. That's something we lack. And I also believe that things will only improve if we have an effective decentralization. Either the government decentralizes the funding and lets us formulate this policy for the development of the Northeast or...But I don't believe that in the short run the federal government will be able to develop a concrete policy for the development of the Northeast.

[Question] Why not?

[Answer] For several reasons. Even cultural reasons enter in. There is a very clear, very distinct predisposition—even in the federal machinery—as regards the Northeast. There's prejudice. The technocracy of the

federal government is too closely associated with South Central region. Not out of malice because the South Central is against the Northeast, but owing to total lack of familiarity with the realities of the Northeast. For them, that reality doesn't exist, because it is not part of their experience. A few days ago I heard a statement by a technocrat in the ministry of finance that astonished me. He said that Brazil's problem was not creating new industries, but consolidating the industries already in place. Which means that this guy lives between the Sao Paulo ABC region and Ipanema. He has no idea what he is talking about. You see, the air shuttle goes from Brasilia to Sao Paulo, or Brasilia to Rio, or Rio to Sao Paulo. During the Cruzado Plan we had ministers who were highly respected academically, serious and well-meaning men, who talked about full employment. Here, 40 percent of the people are on the fringes of the economy. And people are talking about full employment! So then, this predisposition on the part of the machine is a very inhibiting factor. It blocks any real political will, any administrative desire to formulate a regional development policy. The prejudice with which any issue concerning the Northeast is discussed was once again evident as regards the ZPE's (Export Processing Zones). This really worries me. In the South Central zone, this ZPE business has become a sort of devil, without any study of whether it is important for that region of the country, without any detailed consideration, and without any debate. I didn't go myself, but I sent a representative to take part in three or four meetings in Sao Paulo on the subject and we found that 90 percent of the people didn't know what the ZPE's are. They were against the concept, without knowing what it was. People were categorically against them, without knowing what they were. Which shows prejudice.

[Question] What kind of a job has Maria Luiza, the Labor Party mayor of Fortaleza, been doing?

[Answer] Maria Luiza inherited, as I did, a very difficult administrative situation. She and I both inherited an administration that could not meet its payroll. I took one tack, she took another. I think that if she had dedicated herself more fully to the job, showed more interest in the administrative side than in the merely political aspects, if she had disassociated herself a little from the ideology and moved into the administrative sphere, she would have been more successful during her term of office.

12830

Finance Minister Nobrega, Principal Advisers Profiled
81422660a Sao Paulo FOLHA DE SAO PAULO
in Portuguese 10 Jan 88 p A-37

[Article by Jorge Caldeira]

[Text] The new profile of the Ministry of Finance will be shaped in the image and likeness of its new chief, Mailson da Nobrega, 45. The most important posts will

be filled by old friends of the minister, whose backgrounds are much the same. One of the new appointees said: "People make friends at home, in school, or at work. We all got to know each other at work." In this case, work means being in power. They are all men from the "machine."

Da Nobrega's background is a sort of model for that of his advisers. Most of them, like their boss, began at the bottom as a junior accountant or administrative aide, usually at Banco do Brasil. When he took office, da Nobrega said that the BB is a "school for good citizenship." In his case, at least, it was more than that.

The treasury minister was born in Cruz do Espirito Santo, in Paraiba. The city no longer exists, having been swallowed up by a dam. The son of poor parents and oldest of 10 children, he managed to get a job at Banco do Brasil and in a few years had become rural credit manager in Cajazeiras, near the border of Ceara. Through the bank, he was able to leave Paraiba in 1967. The path leading to this move was not a political appointment, but a suggestion he made for changing rural credit rules—a suggestion that was accepted by the then area director, none other than Camilo Calazans, the current president of the bank. In Brasilia, he became more and more of a banker and less and less of a government official, as he occupied posts that required discretion above all. It was during that period that he became acquainted with most of his present advisers.

Da Nobrega and his friends won the trust of ministers who served during the authoritarian period, especially in the Geisel and Figueiredo administrations, but since they did not hold positions that were visible to the public, they were little tainted by this.

Affinities

All of them are unique in that, although they have held political posts, none of them have taken specific political positions. The part of politics which most interests them is the conversations behind the scenes, the handling of political requests that require bureaucratic decisions and, especially, the absolute control over decisions in the making and the complete familiarity with all the convolutions of the bureaucratic labyrinth.

Some of this behavior comes from the career public servant's need to survive amid the comings and goings of their bosses. (One of the favorite sayings of high-ranking bureaucrats is: "The bosses move on, the career employees stay.") Survival is closely related to sangfroid in carrying out orders.

Another common feature is their relationship with the "New Republic." Prior to Tancredo Neves' inauguration, they were getting ready to retire. Some of them actually did retire. The first surprise came when Neves appointed Francisco Dornelles, also a public servant by profession, as treasury minister. Dornelles had been

federal revenue secretary when da Nobrega was secretary general of finance. When the PMDB vetoed da Nobrega's continuance in that post, the group dissolved.

Da Nobrega was exiled to London, the sort of thing that happens often in the life of professionals who reach positions of authority. But, since the bosses move on, yet the wheels continue to turn, he returned to the job at the invitation of a PMDB minister. This occurred by order of Sarney, since Luiz Carlos Bresser Pereira would rather have had Yoshiaki Nakano, his friend and collaborator, in the post. But none of the advisers of the ex-minister criticize da Nobrega's behavior during his short time under Bresser; they consider him competent and loyal. In fact when Bresser left, he even suggested to Sarney that da Nobrega would be an ideal choice for the position.

Da Nobrega certainly knows more than many ministers do about the day-to-day decisionmaking process, the struggles behind the scenes, and the ups and downs of the job. He had even served as acting minister several times, because the secretary general substitutes for the minister during the latter's absences.

However, from now on, the entire team will be coming out of the wings and onto the stage. Now, instead of employing the tactic of passively waiting for an disagreeable boss to fall out of favor, or keeping the an issue filed away in a drawer at the request of a high-placed friend, they will be the target of attacks when decisions are made. Their only defense, if things do not turn out well, is to claim that they were following the president's orders.

Leading Advisers Share Common Background

One of the few assistants appointed by Minister Mailson da Nobrega who is not a career public servant is Mario Jorge Berard, 45, secretary general of finance. Berard entered public service via a high position as planning and finance secretary in Maceio, Alagoas State.

He met da Nobrega in 1976, when working at the National Council for Scientific and Technological Development, CNPq. In 1979, the two worked together at the finance ministry, when Karlos Rischbieter was minister. Their careers paralleled each other; they also became friends.

When the current minister was appointed secretary general in 1983, Berard became assistant secretary and was, as now, his regular substitute. Berard is employed by the Federal Data Processing Service, Serpro.

Ximenes

One of da Nobrega's advisers had to suffer a little more before being appointed to head the economic advisory office. He is Paulo Cesar Ximenes Alves Ferreira, 44, a career staffer at the Central Bank.

The situation got to be a little awkward. Every colleague he passed in the halls would ask him: "Have you been called yet?" A man of experience, Ximenes simply said "No," without comment. He knew that as soon as the minister made his decision, which did not happen until late Friday afternoon, that he would have no choice but to "accept the assignment."

His public career has been a long one. A native of Rio de Janeiro, he entered Banco do Brasil through the 1964 competitive examinations, and was hired as an accountant. In 1966, he entered the Central Bank, where he worked many years in the department of accounting and auditing. Ximenes has known da Nobrega since 1979, when the two worked as advisers to Karlos Rischbieter.

Olyntho

Of all the new assistants, the one who has the longest personal relationship with Minister Mailson da Nobrega is his chief of staff, Olyntho Tavares de Campos, 59. They became acquainted at the end of the 1960's, when da Nobrega went to Rio to work as northeastern director for Banco do Brasil.

When that happened, Olyntho was already an experienced bureaucrat, with 15 years on the job. He began his career in 1953, soon after obtaining his law degree. For many years he was a banker in the morning and a journalist in the afternoon, covering the national congress for O JORNAL, of the Diarios Associados chain.

At the bank, where he had started as an accountant, his assignment during that period was to evaluate import and export cases. Later, he went into the advisory department. He was leaving the journalism field when he met da Nobrega.

When Olyntho went to head up the office of Angelo Calmon de Sa in the ministry of industry and commerce in 1976, da Nobrega went along, having been appointed by his friend. Later the roles were reversed: when da Nobrega became Ernane Galveas' secretary general in the treasury ministry, he took Olyntho with him.

Heraclito

Cid Heraclito Queiroz, 53, general counsel for the finance ministry, entered the ministry in 1954, at the age of 20, to work as an administrative official. His first significant assignment came in 1957, when Jose Maria Alckmin, from Minas Gerais State and a friend of then president Juscelino Kubitschek, was minister. Task: to discover how the cases of interest to the politicians were being handled in the bureaucracy. He has known da Nobrega "since he was a technical advisor to Rischbieter in 1979."

'Huge' Oil Deposits on Marajo Expected To Rival Saudi Fields

33420071a Brasilia CORREIO BRAZILIENSE
in Portuguese 14 Feb 88 p 7

[Article by Tarcisio Holanda]

[Text] Texaco discovered oil deposits 100 km long and 38 meters wide on Marajo Island by using the latest word in technology—a three-dimensional magnetic probe. The discovery will make Brazil self-sufficient in consumption of this fossil fuel and could convert it into an important partner of the oil exporting countries.

President Jose Sarney has been advised by some politicians close to him to announce to the country the discovery of the huge deposits by using modern audiovisual resources. Sarney is waiting for Petrobras President Oziris Silva, who has been travelling abroad, to return to Brasilia before deciding on the strategy the government will follow in this matter.

Ocean of Oil

Petrobras, which has been supervising implementation of risk contracts, noticed that something new was happening in the region of Marajo Island marked off for Texaco prospecting. Once it learned that it looked like there might be a gigantic oil field there, the Brazilian state enterprise put pressure on the U.S. multinational to begin exploration.

Texaco dragged its feet and put off exploring the deposits. First of all because it was having serious financial difficulties in the United States, and secondly because the exploitation of such colossal reserves will cause radical changes in the world oil trade and could touch off considerable reductions in oil prices.

Petrobras intensified its pressure on Texaco. The company confessed that it was not in a position to come up with the investments needed for an undertaking of that scope. It promised to find a partner. Later on, it contacted Petrobras to say that it would not have a partner, and that it would be acting alone.

But, in view of the impossibility of singlehandedly making the enormous investments required for the undertaking, Texaco suggested a deal with the state enterprise pertaining to the area prospected. They agreed in principle that 75 percent of the territory where it appears likely there are immense deposits would go to Petrobras and 25 percent to Texaco, with the Brazilian enterprise assuming responsibility for exploitation.

While negotiations were progressing encouragingly along these lines, and it appeared that an amendment to the valid risk contract would be signed, nationalist circles launched a persistent campaign against the agreement,

calling it damaging to national interests. This led Minister of Mines and Energy Aureliano Chaves to suspend the ongoing negotiations and summon the opponents to his office to point out the advantages of the agreement for Brazil.

According to the government's view, Petrobras could not break its risk contract with Texaco without causing serious problems for Brazil with the important international capitalist group. Brazil would have to reach a settlement that would take into account its interests without prejudicing the interests of the U.S. multinational. This is the position of the Brazilian government.

Brazil To Export

The discovery of the large oil deposits, which some people compare to the Saudi Arabian oil fields, will make Brazil an oil-exporting country. This year the country is importing about 1.1 million barrels a day, at a value of \$4.5 billion.

Besides avoiding this colossal expenditure in hard currency, Brazil could receive exchange receipts of \$1 to \$2 billion dollars a year in a relatively short period of time (4 years at the most, using technology already developed by the Brazilian firm).

In government circles and among friends of President Jose Sarney, there is already speculation as to this radical change, which would pull us from dependency to interdependency in oil and make us an oil exporter. Brazil could deactivate its fuel alcohol program, and use this alcohol production to supply the rich U.S. market.

Under pressure from conservationist groups, the United States is getting ready to replace tetraethyl lead, a contaminant that damages human lungs, with carburant alcohol at a rate ranging from 10 to 15 percent. Brazil would naturally be one of the major suppliers of the U.S. market, since carburant alcohol is not a contaminant.

There are still some problems to solve. In the first place, from a strategic standpoint, a country as powerful as the United States would not be prepared to rely on a single country for its energy needs

However, this is not an insurmountable obstacle. On the contrary, there are studies by American government agencies concerned with dividing carburant alcohol supply sources. American agriculture would help meet the country's needs by providing corn alcohol—which is very costly—at a rate between 20 and 25 percent of total consumption. Brazil would come in with 25 to 30 percent and the Central American countries would make up the rest.

Revenue

According to calculations by a politician close to President Sarney, Brazil could earn \$5 to \$6 billion in annual revenue with its alcohol exports and still bring in \$1.5 to \$2 billion from oil exports.

There are other benefits involved in the discovery on Marajo Island. With it, Mines and Energy Minister Aureliano Chaves could design an ambitious program for building thermoelectric power plants to increase energy production in the country, particularly during severe weather conditions when water reserves go down and the generating capacity of hydroelectric power plants is reduced. The government is looking into how best to announce this important news to the country. At present, President Sarney is being advised to bring the good news personally to the people via a well-prepared speech delivered in a national broadcast.

Petrobras is keeping Texaco's discovery highly secret. Recently a reporter directly questioned the firm's commercial director about the deposits discovered. Carlos Sant'Anna replied with an evasive comment: "One can only say oil exists after it is exploited."

Tomography

Three-dimensional magnetic probe technology is, experts say, comparable to computerized tomography done on the human body with modern equipment to detect tumors or internal fractures. The three-dimensional magnetic probe causes an echo at depths of up to 5,000 or 10,000 meters in a diagonal direction thus covering an infinitely larger number of stratigraphic layers.

09805/7310

Cooperation With Cuba in Biotechnology, Meteorology Viewed

33420071b *Brasilia CORREIO BRAZILIENSE*
in Portuguese 21 Feb 88 p 11

[Text] Brazil and Cuba are planning to develop a scientific cooperation program in the areas of basic research, biotechnology and meteorology this year. This is the result of the protocol of intent signed between the two countries during Science and Technology Minister Luiz Henrique da Silveira's trip to Cuba at the end of last month. According to Luiz Henrique, these three areas are of common interest to the two countries; in the case of meteorology, this interest stems from the weather phenomenon called El Nino, which this year has caused drought in the Caribbean and heavy rains in Brazil.

During the 5 days he was in Cuba, Luiz Henrique visited various research institutes, mainly in the area of biotechnology, along with the biotechnology secretary from the Ministry of Science and Technology [MCT], Paulo Torres de Carvalho. According to the minister, the

Cubans are fairly well advanced in the areas of animal and plant genetics, and in the manufacture of biopreparations of alpha and beta interferon.

In the field of data processing, the Cubans have specialized in using this technology for medicine, Luiz Henrique said. As for the computers used, they are of various sources: American, European, Soviet, Bulgarian, etc. But the Cubans have also been doing research in hardware and software under a program similar to the one in Brazil. They have a national institute for data processing research (like MCT's Technological Center for Data Processing in Campinas), and a state enterprise, Copextel, that manufactures computers in a process similar to that of Brazil's Cobra [Brazilian Computers and Systems, Inc.].

To pinpoint the areas of interest where there will be cooperation, the president of the Cuban Academy of Sciences (their MCT), Rosa Helena Simeon, will come to Brazil in April. During that visit, Rosa Simeon will attend the National Biotechnology Fair to be held in Rio de Janeiro and visit various biotechnology centers in the country.

During his trip the minister had a 4-hour meeting with Cuban Prime Minister Fidel Castro. According to Luiz Henrique, they talked about the need for scientific and technological development in Third World countries, and Fidel also mentioned the progress made in Cuba in the health field.

09805/7310

Revenue Losses From Wildcat Gold Prospecting Assessed

33420071c *Brasilia CORREIO BRAZILIENSE*
in Portuguese 14 Feb 88 p 7

[Article by Roberto Penteado]

[Text] Between 1977 and 1986, Brazil lost \$22.6 billion, or about 20 percent of its external debt, from wildcat prospecting of 1,569 tons of gold that could have been produced and was not, because of smuggling and primitive mining methods used by the prospectors. The official gold production for this period was 167 tons, for a value of \$2.4 billion.

This information appears in a study by the National Department of Mineral Production (DNPM), which advocates the need for the country to adopt a policy for the rational mining of Brazilian gold reserves, since they are not renewable and this would "make a considerable contribution towards rebuilding our international reserves and strengthening our position vis-a-vis creditors and the IMF."

To reach the conclusion that Brazilian gold production could have been 1,736 tons instead of the 167 recorded by Federal Revenue, the DNPM conducted technical

studies of the ore rejected by prospectors in the Amazon. They revealed that about 40 to 60 percent of the gold contained in the ore mined is wasted. If appropriate known methods of processing had been used, the DNPM estimates that 434 additional tons of gold could have been produced, at a value of \$6.23 billion.

This is because the DNPM estimates that real national production of gold between 1977 and 1986 was 434 tons, instead of the 167 recorded. So Brazil lost more gold. Since only 38 percent of the gold produced is legally registered, 267 tons were sold or exported illegally to neighboring countries such as Uruguay, Colombia and Bolivia, where gold is also used as a medium of exchange for cocaine. This represents a loss of a further \$3.8 billion.

Brazilian losses from prospecting activities are even greater, and few people are aware of this. If these deposits prospected throughout the Amazon region had been mined according to known mine engineering technology, using appropriate methods for working and extracting all the mineral and not just the highest grade minerals as the wildcat prospectors do, 868 additional tons of gold could have been produced at a value of \$12.5 billion, thus making up the \$22.6 billion.

For the department, the plundering of national gold reserves by wildcat prospectors has caused the irretrievable loss of large amounts of the metal, as it is not economically feasible to extract the gold left without the high-grade minerals already taken by the prospectors.

These miners, by the very nature of their activity, do not have the financial or technological capacity to use the equipment that would be appropriate for the various ores mined, or to build the infrastructure needed for mining operations, one of the main colonizers of the pioneer areas. Even when sophisticated equipment is used in the wildcat mines, the lack of technical know-how prevents them from using it properly.

On the basis of this study, mining agencies such as the Brazilian Mining Institute (IBRAM) are sending documents to government authorities requesting that a national gold policy be established immediately. Besides pointing to the lack of incentives for organized mining operations, the only way to meet this production challenge, IBRAM has expressed its concern over the "lack of leadership" of Mines and Energy Minister Aureliano Chaves in this area, and has requested strict controls over wildcat prospecting by creating prospecting zones where not only would production be controlled, but there would also be monitoring of the harmful effects this prospecting has on the environment with mercury pollution of rivers.

09805/7310

Business Leader on Support for Pinochet
33480091b Santiago ANALISIS in Spanish
7-13 Mar 88 pp 30, 31

[Interview with Orlando Saenz by Felipe Pozo R.: "Businessmen Support the Government, but They Are Not Wed to Pinochet"]

[Text] He had been silent for some time. Concentrating on his business activities, he had not conveyed his impressions to the public. He says that he does not like "to talk for talk's sake," that this is one of the main shortcomings of our country's leaders. Nonetheless, he now agreed to converse because he realizes that we are living through a decisive period, and he does not care to remain divorced from events in Chile.

A key man in the opposition to the Popular Unity regime, he soon turned against the Military Government. He predicted the 1982 economic debacle while others were enjoying the boom. A businessman above all else, he acknowledges that he is not representative of his trade union but does say that he is thoroughly familiar with it and, therefore, can speak accurately about what is going on inside it, about its concerns, its political preferences.

[Question] Are all businessman Pinochet supporters?

[Answer] No, the great majority support the government. They are basically concerned that the political solution should not endanger what they regard, with greater or lesser enthusiasm, as major economic accomplishments. That is their central concern. Now this support for the government does not necessarily translate into support for Pinochet. There are undoubtedly different schools of thought within this universe.

[Question] And do you belong to one of the schools of thought that support the government?

[Answer] Absolutely not. This does not mean that I do not acknowledge that there has been an economic revolution in Chile. One has been undertaken, but at a monstrous cost, which I did not think should be paid, nor do I, nor will I ever. It was an inhuman and unacceptable cost. But the fact is that the realities are there, and it would be irrational to ignore them. Today the Chilean economy is much more competitive than it was 15 years ago. In a way Chile is postoperative, and if this new production structure is managed sensibly, it could bear good fruits. From my viewpoint, it is indispensable to concern ourselves with an equitable distribution of the capacity to produce wealth. I would stress that the competitiveness of the current economic structure must be maintained, but that it must be placed in service to the largest sectors by making necessary changes, though without damaging it.

So my position is as follows: we have to make an effort to resolve the political problem, to achieve a real transition from dictatorship to democracy while maintaining the virtues of the current production structure in every possible respect.

[Question] Do you think that the plebiscite will permit the transition that you desire?

[Answer] I think that every popular consultation has its merits. But people always lapse into comparisons. And although the plebiscite is progress, it is far from being the ideal mechanism for resolving the political problem. An open, pluralist election is unquestionably superior, above all one in which all sectors have a real chance to express their views.

[Question] According to the opposition, a triumph of the "no vote" in the plebiscite would pave the way for a real transition. Do you think this is a feasible alternative?

[Answer] I think that the plebiscite can be more or less good, depending on many things. On how clean it is, of course. But it could also be better or worse depending on the exact framework in which it takes place. In this regard, I am worried that many people simply see the plebiscite as an option for prolonging the dictatorship, for maintaining the status quo. If the people who want this ultimately triumph, there can be no doubt that the plebiscite will lose all of the virtues that would have enabled it to bring about a transition. If they seek to use it as a way of giving new life to the dictatorship, it is going to wind up being a merely pro forma act that will not change the current situation at all.

Now then, if the call is for a plebiscite leading to an immediately subsequent period that implies a real transition, there can be no doubt that we would be on a road that, although it is not the best, does open up certain prospects.

[Question] Do you think that the opposition is strong enough to turn the plebiscite into the gateway to a transition?

[Answer] I don't know about the opposition, but the people of Chile are. To the extent that there is a desire to allow a manifestation of national sovereignty, there can be no doubt that this sovereignty is strong enough to spur developments in a positive direction for Chile. I have my doubts that at this juncture that national sovereignty is equivalent to the political opposition that exists. I am critical of our opposition, because I have seen it fall far short of meeting the demands that it is called upon to. I have not noted in it either the clarity or the coordination or the unity that are necessary to instill confidence in the citizenry and to convince them that it can head up a categorical response to the dictatorship. And this seems doubly worrisome to me, because I have no doubt that an overwhelming majority is waiting for the dictatorship to end. But I think that there are major segments of this

majority that are vacillating because they fear how post-dictatorship Chile will be run. They are not clear on who will be able to take charge of the situation and give the country stability.

[Question] Yet recently there have been major understandings across a broad spectrum of the opposition.

[Question] There are undoubtedly going to be major gains, but we are still quite far from the optimum. Moreover, all you have to do is look at the calendar. There are urgent needs that in my judgment are not being properly met.

[Question] Getting back to the business world, why do you think that the Civic Committees spurred by some well-known businessmen have failed?

[Answer] It's a consequence of what I have mentioned. When committees are set up, it must be clear what they were founded for. People in general have the impression that these committees are nothing but part of the framework for General Pinochet's campaign. And in spite of everything that is being said, there is such enormous opposition to General Pinochet in this country that when people suspect that his campaign is involved, they refrain from taking part because they want something different. If those committees were designed to create a solid foundation of stability for a real transition, the reaction to them would have been very different. The fact is that people won't swallow something just like that and don't want to be used for a predestined end that there is no intention of having an in-depth debate on.

[Question] This means that businessmen are not wed to Pinochet.

[Answer] They aren't.

[Question] When we observe the attitudes of businessmen: their statements, the guarantees they demand, the concerns they voice, they give the impression that the only principle that they are really defending is the right to property, that the only issue that mobilizes and brings them together is maintaining the privilege of private enterprise. In your judgment, is this perception well founded or unfounded?

[Answer] The response to this question at bottom encompasses the true dimension of Chile's and even Latin America's political problem. But we cannot address the issue at length. So, my answer is this: regrettably, if understand the position of businessmen to be the one that the officers of their organizations are voicing, the history of the last 15 or 20 years demonstrates that the right to property is the priority source of concern among businessmen. Therefore, I would have to agree with your statement. Now then, since I know businessmen (in fact, I'm a businessman myself), I know

for a fact that there are many other concerns. What we are looking at is a sort of inability to organize their aspirations into a coherent whole.

I am certain that what I am saying is going to be borne out to the extent that there are transition stages. But I must acknowledge that the position of businessmen, particularly during the dictatorship, has provided real grounds for the presumption that this sector is motivated only by the property issue.

8743

Preplebiscite Economic Changes Described
33480091a Santiago ANALISIS in Spanish
7-13 Mar 88 pp 27, 28

[Article by Nelson Soza Montiel: "Clashing Expectations"]

[Text] Delighted with the applause that followed his announcement in Arica 2 weeks ago that the 370,000 home mortgages with Serviu would be adjusted in the future in accordance with the movement of wages and not the UF, General Pinochet hesitated only a few seconds before adding, that he had ordered a similar study for the other one million mortgagors who have UF-adjusted liabilities with the private financial system. But as government economic circles are now admitting, "the Finance Ministry must have been the first to be surprised by the news, because as far as we know, there is nothing definite about this, at least for the time being."

Be that as it may, the very announcement of a "study" on the embattled UF had the desired effect: a flood of reaction ranging from openly favorable to pleasantly bewildered. Most enthusiastic were certain leaders of the small-business sector, who have also long been pressing for the replacement of the UF because they sense that such a move would necessarily bear a strong resemblance to a "big remission" for the thousands of their members who are burdened with debts.

The debt issue offers, creates hope among the voting public. It all depends on the timing. As a high-level Central Bank official said, "there might be something in the future like one or more instruments that link the debt adjustments to other indicators, or the UF might be increased at more regular intervals. But nothing is in the works yet. A big remission? Under no circumstances."

Official Expectations

It is with a view towards the realm of expectations that create a climate favorable to government plans, that each of the official and off-the-record statements is being calculatedly made. The housing minister (it is significant that it was he, not his colleague in Finance) reiterated a few days ago that the government intended to apply to the rest of the borrowers an arrangement similar to the one that could be applied to Serviu mortgagors. The

president of retail trade, Rafael Cumsille, is calling for the "personal and direct efforts" of Pinochet in this same direction. A leader of the borrowers in Valparaiso asserts that "if there are concrete solutions, we will doubtless vote 'yes.'" And even though it may not resolve the underlying problem for all of the small borrowers (their creditworthiness), the Bank of the State announced last week that it would refinance 120,000 loans that had already been refinanced in previous years, offering seven additional years for payback.

It is not just debts that are behind this expectation game. Inflation was low in January (0.7 percent) and dropped further in February (0.4 percent), for a cumulative CPI of 1.1 percent during the first 2 months of the year. The official unemployment rate of 7.6 percent in December 1987 fell to 7.4 percent. Trade during the first 2 months of 1988 was up 520 percent from the same period in 1987, a considerable rise even if the impact of the fruit export season is discounted. We can thus see "a calm year for the economy," as administration economist Alvaro Saieh underscored, and an auspicious one for posting even higher growth than last year.

It was these expectations of higher spending (which according to the consulting firm Economic and Financial Survey will surpass the revenue levels initially budgeted for 1988) that reportedly moved Minister Hernan Buchi to essay an unusual maneuver vis-a-vis the creditor banks. He asked for their authorization to reinvest internally part of the foreign debt principal payments, in an additional amount that the firm estimates could reach \$400 million (100 billion pesos). As the consulting firm's most recent report notes, this would enable the government to increase the money supply without igniting inflation. And the money would be more than enough "for the regime's proselytizing campaign."

The ultimate outcome of this move, which is recommencing now in March, is uncertain. Even specialists allied with the official team feel that it has little chance for success "because of the climate generated around the plebiscite."

Doubts About Employment and the CPI

But there are expectations on both sides, and more than a few doubts. The same report from the consulting firm asks whether after the most recent drops in unemployment "the INE [National Institute of Statistics] made some slipup in its calculations." There is no other way to understand how two regions whose populations are very similar (the eighth and fifth regions) showed such different performances. Whereas in the former unemployment for the November 1987-January 1988 quarter was up 1.7 percent, it was down 4.9 percent in the fifth region. "We would have to assume that in 1987 there was an increase of no less than 20 percent in production in the latter region, a development that did not at all come to pass. The eighth region has greater industrial potential than the Valparaiso region, and it is this sector that headed up

the growth in jobs. In the fifth region, in contrast, what rose was farm employment, as a result of temporary hiring during the harvest season. The study notes similar "inexplicable" situations in the national unemployment figures.

Not at all clear either are the movements that we will see in 1988 in the prices of major consumer items and in wages, the latter because of the pressures from the labor sector. Both are factors that the official plans assume are "perfectly under control," as Saieh sees it.

The CPI during the first 2 months of the year has bewildered even officials at the National Institute of Statistics, who attribute it to the low prices in the agricultural sector. But we cannot expect the substantial drop in some of them (potatoes, for example) to last much longer. Sooner or later businessmen will want to recover the profit margins that they had in 1987 and that have presumably shrunk in recent months. In contrast to an average rise of 1.1 percent in consumer prices, the wholesale price index posted a rise of 2.9 percent from last January to February. But this was a period of traditionally slower activity, and as soon as growers see greater buying power (partly sustained by the drop in tariffs and other taxes), they will try to reverse the trend.

Wage Pressures

From the standpoint of the labor sector, 1988 also holds out expectations, which are, to be sure, different from the government's. Not only the top-echelon organizations but the unions themselves appear to have better prospects for having their wage demands met, as a result of three basic factors. One is the high profits that companies continue to publicize from the rooftops. The second is the "flexibility" of the government's economic program, as it is now more willing to loosen up the reins on pay. The last, at least theoretically, is the drop in unemployment, which according to free-market theory should allow for higher wage increases. In this regard, the strike movements and other forms of pressure that are proliferating these days ("temporary workers" in the fruit industry, copper contractors, metalworkers) also anticipate the sector's general behavior.

Inflation and wages are far from being "variables controlled" completely by the government in this context, at least not as much as they were in past years. The upcoming plebiscite and even the plans of the regime itself (which today forecast growth in output closer to six rather than the initial five percent) generate expectations that both labor and management can take advantage of under these circumstances.

The considerable impact that the rise in food prices had last year on their buying power also encourages these expectations, as the prices of many items rose several times faster than the CPI. The feeling in certain organizations that advise organized labor is that the very proximity of the plebiscite "will soften up" business

sectors that were reluctant last year to accept the rise in the minimum wage in the manner that the administration's Economic and Social Council recommended.

"Buchi is afraid of" this outlook, according to a Central Bank economist, because a solution to UF debts could be another source of inflation. And it is well known that organized labor "is not willing to let this opportunity pass," a leader revealed.

8743

Seasonal Workers Union Organizing; Working Conditions

33480091c Santiago APSI in Spanish
22-28 Feb 88 pp 25-27

[Article by Elena Gaete: "The Forbearance 'Boom'"]

[Text] On 13 February two peasant organizations issued a single call: a work stoppage on Monday the 22nd, mainly to demand higher wages. The two are the El Surco Confederation and the New Dawn Federation. The main audience of the call is some 300,000 seasonal workers in the central zone.

The challenge is enormous because the workers seem to have another priority demand in mind. At least that is what APSI detected among the seasonal workers in San Felipe, who are more concerned about keeping their jobs than about supporting initiatives to better their working conditions.

Even so, the two organizations are not discouraged and are confident of support from the rank and file. Several graffiti in the city reveal grievances other than just preserving jobs: "Seasonal workers, organize yourselves" or "Seasonal workers, demand 1,500 for 8 hours."

The fruit season normally runs from December to April. During these months around 35,000 local workers and about 10,000 from other regions of the country gather in San Felipe.

They work an average of 14 hours a day for wages ranging from 500 to 700 pesos a day. Most of them are women, because "they're more meticulous and have more patience for cleaning and presenting the grapes than men," asserts Jaime Gonzalez, a local grower. They do not normally have sleeping quarters or proper restrooms, and each worker is generally responsible for his or her meals.

In contrast, there are very few permanent workers, and their status is not much different from that of the seasonal workers, although it is contractually better. They have indefinite contracts that, among other things, assure them greater job stability, social security and meal and transportation allowances.

The president of the Nueva Esperanza de Aconcagua Trade Union Association of Seasonal Workers, Ricardo Covarrubias, contends that most of the workers work "under blank contracts." When the contracts stipulate certain conditions, "the companies violate them as easily as they fire their workers."

A quite frequent motive for firing is failure to follow any of the companies' "suggestions." This happened to Hernan Segura (24, two children), who until Sunday 14 February worked as a packing plant assistant at the El Carmen Farm in San Felipe. He told APSI the following: "They kicked me out yesterday. The contract said workdays from Monday to Saturday, but they suddenly told us to go to work on Sunday. I didn't, and on Monday I found myself fired."

According to Covarrubias, the most common cause for dismissal is "suspicion of attempts to organize." In this regard, the experience of Ana Maria Pino Valencia is eloquent:

"I worked as a packer at the Unimarc company and at the plant I spoke with my coworkers about the need to negotiate with the company for higher wages, lighter workdays and minimum safety measures. Actually I got to say almost nothing. The women who earn the most are always on the side of the bosses. They no doubt told him about my intentions, and they kicked me out along with two other fellow workers who were involved in the same thing I was."

Women Preferred

There is an abundant work force in the area. You need only look at the streets leading into San Felipe, where men and women march by with blankets and shawls under the arms. Juana Arancibia, 43 and the mother of two children, who traveled from Valparaiso to work at Pentzke Canning, explains:

"There are a lot of women like me who leave their homes and children to work at anything, even if just for these few months. The important thing is to be able to bring something home for the kids."

There are more than 50 fruit companies and more than 100 fruit farms in the area. The men are preferred in the grape orchards, where they are paid less but work all year. "In the case of overtime there is more of a chance that the employer will steal extra hours," says Sergio Jara, an attorney who advises the National Peasant Commission in San Felipe.

During the first part of the grape growing process, the workers are in direct contact with pesticides, insecticides and chemicals that so far, according to data available to the El Surco Confederation, "have already caused more than 240 cases of poisoning throughout the zone."

The most qualified women have certain privileges at the packing plant. Packer Matilde Donoso, for example, can earn between 2,000 and 3,000 pesos a day filling an average of 300 crates a day at the Orolonco Ltd agro-industrial enterprise. At these packing plants, which are large sheds with mass production facilities, the seasonal workers are divided into packers and grape selectors. The crate haulers are preferably men.

Minor differences (level of specialization, wages, place of origin) help to foster conflict among the seasonal workers. Perhaps this is why not all of them push in the same direction when it comes to putting pressure on the employers. The squabbles intensify when they involve local and outside workers. The former have their meals and lodgings practically guaranteed, unlike the latter, who have to pay dearly for lodging and food. To economize, some sleep along the boulevard in San Felipe, listening for passing policemen because sleeping along public thoroughfares is forbidden.

Although many acknowledge the need for union organizations to defend them, a high proportion of these workers are reluctant to join. Enrique Osorio, a 25-year old bachelor who hauls grapes in the packing plant at the El Carmen Farm, explains:

"We don't have time, and actually I get by. They don't pay us much and we work real hard, but I go from the Copiapo season to the one in Vallenar and Ovalle. That way I can work 10 months a year. The other 2 months I gather firewood in the hills and sell it here in San Felipe. It must be different for married people."

Of course it is different, especially if they are women, according to the testimony of Jacqueline Mora from Putaendo, who has two children, ages 13 and 12, and who works at Pentzke Canning: "I work from 6 to 10 in the morning. Then I take time to eat something that I bring from home and go back at 2 o'clock and leave at 7. I get home at 8, prepare the next day's meal, wash the clothes, clean what I can and sleep for 3 or 4 hours. I'm on my feet again at 4 in the morning. The children are alone all day."

In the judgment of apricot grower Patricio Rojas, "many businessmen have tried to improve the workers' conditions, but the results have not been satisfactory. He adds:

"This season I paid each worker 1,000 pesos a day, but competition from the other employers doesn't allow me to boost wages. They pressure you to get out of the business. I know that next season I'm going to have trouble renting a piece of land."

Wooden Trellises

According to data compiled by the Association of Aconcagua Farmers, in 1985 11 million crates of grapes were exported, and this season the figure has risen to 17.4 million crates as of this past January. The increase over the previous season, when 14.5 million crates were exported, comes to 51 percent so far. More than half of the shipments were of table grapes.

The fruit boom began in 1982-83 in the area, when the technique of growing grapevines with wooden trellises began to spread. It was not a new technique; a group of Italians had introduced it at the turn of the century.

The watchword in recent years has been to compete at all costs. Thus, "everything has favored the businessman, to the detriment of the cost of labor. In the beginning it was barbaric; wages were extremely low," Jara relates.

Past excesses have ebbed over time, but wages remain low and workdays just as long. Hence the concern among labor leaders. Covarrubias is determined to organize the temporary workers in spite of the various "legal, formal and practical" obstacles. He acknowledges that only five percent of them are organized, but even so he hopes that a large number will join in the 22 February work stoppage.

Sergio Jara doubts that a strike movement alone can be successful under current conditions: "There is no guiding norm to change the attitude of the employers. I think that many of them would be willing to improve wages and working conditions, but the government policies to facilitate such measures are not there."

Perhaps this explains the workers' apparent apathy about the possibility of organizing. It could also explain the indifference of the companies and the skill with which they parry demands.

Colombian Press Review

33480100 [Editorial Report] The following collection of extracts, No. 1 in a series, was drawn from various Colombian press sources. If further FBIS processing is planned, a note to that effect follows the source line.

Barco On Military Ambushes—In an impromptu news conference, President Barco opined that the Army should be better prepared against possible insurgent attacks. 'I believe that the Army should take better precautions, should be more careful, and should have an intelligence service which could anticipate possible ambushes so that so much blood of young soldiers is not spilled,' he said. The president added that the Armed Forces are not being prevented from doing their job by the government and acknowledged that the military is trying to maintain law and order. [Bogota EL ESPECTADOR in Spanish 19 Mar 88 p 5A]

Agrarian Reform Measure Signed—President Virgilio Barco has signed the agrarian reform measure approved by Congress three months earlier. The president praised the reform bill, saying it 'responds to a growing clamor from...various sectors of Colombian society and especially dispossessed peasants. This law seeks to adapt the structure of property ownership to the new social and political realities of the country.' The law provides for changes in the criteria for expropriating land, as well as in the composition of the governing board of the Colombian Institute for Agrarian Reform. [Bogota EL ESPECTADOR in Spanish 19 Mar 88 p 14A; full text to appear in JPRS Latin America Report]

Agriculture Extension Program Modified—President Barco announced in a televised speech that an existing agricultural extension service is being expanded. According to the president, the extension service is part of the government's plan to improve the economic and social conditions of rural Colombians. The plan is already in effect in the departments of Cauca, Risaralda, and Santander, and will soon be expanded to include Boyaca, Sucre, and Tolima. Special emphasis will be given to the regions included in the National Rehabilitation Plan. The president stated that his goal is 'to reach a million [farmers] throughout the country by the end of this presidential term.' [Cali EL PAIS in Spanish 22 Mar 88 p A3; full text to appear in JPRS Latin America Report]

UP Election Results Viewed—Patriotic Union President Bernardo Jaramillo Ossa has expressed his satisfaction with the results of last March's mayoral elections. 'We won 17 mayoralities on our own and another 108 through coalitions. Of these 108 coalitions, 105 were effected with documents signed by their members, [documents] in which there were clear programmatic commitments.' [Bogota SEMANA in Spanish 22 Mar 88 p 34; full text to appear in JPRS Latin America Report]

DLN Convention Timetable Announced—The National Liberal Directorate has released the following timetable leading up to the national party convention planned for August: —23 April: Delegates to municipal conventions named; —29-30 April: National congress for party ideology held in Ibaguë; —11, 27 May: Delegates representing employees and employers elected; —16 July: Special District [Bogota] convention held; 12-13 August: National convention held in Cartagena. [Bogota EL ESPECTADOR in Spanish 22 Mar 88 p 5A]

New Petroleum Fields Found—The minister of mines, Guillermo Perry Rubio, and the president of Ecopetrol, Francisco Jose Chona Contreras, have announced the discovery in Casanare of three new petroleum fields. Two fields were found through joint operations with the Aquitaine exploration company and are estimated to have reserves of 7 million barrels. Hispanoil, which will operate the third field, does not yet have a figure for estimated reserves. The fields will be put into production when the Los Llanos pipeline is completed. [Bogota EL TIEMPO in Spanish 25 Mar 88 p 3A]

Postelection Functions, Resources of Mayors Reviewed

33480086 Bogota EL TIEMPO in Spanish
15, 16 Feb 88

[15 Feb 88 pp 1A, 6A]

[Text] Governors used to have immense power: to appoint and remove mayors. That prerogative has disappeared. Paradoxically, however, their power is going to increase. On two conditions: if they apply modern methods in their job and become true administrators of their departments.

The popular election of mayors was initially said to be the biggest institutional change in the past 100 years. But the debate on the plebiscite relegated it to the back burner. It almost buried it.

In the series of reports that begins today EL TIEMPO proposes to reemphasize and explain this essential reform for democracy. Each day we will show the changes that it is introducing and what they specifically mean for the municipalities.

Obviously it will not affect everyone the same. For example, it will be easy for the regional capitals and the big cities to put into practice the autonomy that the new law offers them, because they possess the administrative infrastructure. The effects will be less visible, in fact nonexistent for the time being, in the smaller municipalities.

In any event, the reform is fundamental for the country because it is a turning point in its political and administrative history. In what way? Why? EL TIEMPO intends to answer these questions this week.

What relations will be like between the governor and the mayors has not been foreseen. But they will be different.

As a result of the popular election of mayors, the governor will no longer be able to choose, appoint and remove mayors. Until now he could do so without having to give an explanation. Under such conditions, a mayor carried little weight. Without grassroots backing or legitimacy, they were respected by no one because, according to Jaime Castro, they were regarded as "quotas" or "tokens" of the local boss of the moment.

The election will legitimize the post. It will provide greater administrative and political authority, a stable 2-year term and broader functions. As well as prohibitions. For example, a mayor will not be able to enter into contracts with the municipality for his own benefit or for that of his relatives, nor will he be able to represent individuals against the municipality. The governor can remove a mayor for committing these crimes, which are specifically enumerated in the law.

A governor cannot, in contrast, revoke a mayor's acts. Until now he could render them null and void or invalid. Henceforth, he will only be able to submit them for study to the appropriate Tribunal for Action Under Administrative Law. The tribunal will decide whether the mayor has violated the law.

The governor also loses control as an intermediary of the nation vis-a-vis the municipality, because transfers will be made directly to each city or town. Fiscal control will be exercised in accordance with the budget of each municipality. If it has a budget of more than 50 million, it can create its own comptrollership. Otherwise, the departmental comptrollership will exercise fiscal control.

The governor does not, however, lose his right to distribute the funds that belong to his own department. Such funds come from taxes on liquor, lotteries, gambling and entertainment. But the governor does lose control over the municipalities, to the extent that their own funds increase considerably. This is because of a substantial rise in the transfers from the nation in the form of the share that it has granted the municipalities in the sales tax (VAT), and because of the technical restructuring of the four most important taxes: on real estate, industry and commerce, advertisements and billboards, and traffic and transit.

A mayor will thus be able to determine the use of these funds. He will be able to administer his own municipality, adopt programs and projects, decide on public works and investments and set priorities. In this regard, Camila Botero, a professor at the University of the Andes, is categorical: the power of the mayors in the regional capitals is going to be monumental. "Instead of being onlookers as education, health care and investments by

the decentralized institutes are provided in a municipality, they are going to have the funding to do other things, if they want. For example, they will not have to consult with the ICT [Territorial Credit Institute] on a housing program."

The control of the governors will be essentially political, then. Their importance in this area is going to increase. With elected mayors, they will no longer have to handle the local feuds that arise over appointments. "They will have to become agents of harmony," Camila Botero feels. "They will be able to direct investments and government spending in their departments without the burden of the fence-sitting [manzanillista] machinery."

Jaime Castro also feels that the functions of the governor are going to change substantially. "Much of the time, imagination and capacity of the governors is devoted to the choice of mayors, to their appointment and removal, acts for which the governors are under so much pressure that we can validly ask whether they always decide on the basis of their own judgment."

Stripped of these "functions," the governor will be able to devote himself "to the tasks that are properly those of departmental development, to the execution of public works, to the provision of services, to fulfilling functions that are properly those of his post."

Thus, the department as a public organization will cease to be a political entity and become an essentially administrative entity.

The arrangement suggests that the governor can convey the needs of his department's regions to the central government, because by reviewing municipal planning, he will have an overview and, according to Camila Botero, an advantage: "Not having to satisfy the greed of local bosses."

Through control over municipal plans the governor will also be able to spur associations of municipalities and streamline the planning and construction of public works that benefit several municipalities. Under the current arrangement, such associations have functioned hardly at all, because at bottom they depended not so much on the will of the mayor as on the budgetary possibility of associating so that they could provide services or construct public works jointly.

The fact that the mayors are elected for 2-year terms is a force for continuity. According to Jaime Castro, they are going to take an interest in associating with neighboring municipal administrations. This will generate a great regional dynamic. Together, the municipalities would be able to submit joint projects in which the nation or the governor could take an interest, because every subsidy helps a mayor to optimize and make efficient use of the funds that he has available.

All of this leads Jaime Castro to think that there will be a total reform of the department and that the criteria for the selection of the governors will undergo a fundamental change. They will be less like political hucksters and more like politicians, less like fence-sitters and more than administrators. They will remain longer in the job. In a word, there will be less talk of the famous shady deals of governors.

[16 Feb 88 pp 1A, 6A]

[Article by Jose Fernando Lopez, assistant editor of EL TIEMPO]

[Text] Close to 850 municipalities, in which 43 percent of Colombians live, lack the technical and administrative capacity to manage their investment programs.

It may sound paradoxical, but the success of the country's administrative decentralization will largely depend on the central government. The municipal revolution will not be a revolution without strong institutional support for at least 85 percent of the municipalities.

The mayors elected by popular vote will have available increasing funds thanks to the hike in municipal taxes and to the larger transfers of the sales tax (VAT) from the nation to local entities.

Just from the larger share of the VAT (as it is called technically), estimates are that in 1992, when the gradual increase is over, the municipalities will receive close to 120 billion that they did not have as of last year.

These funds are and will be the main source of revenue for most of the country's municipalities, especially those with less than 100,000 inhabitants, which will receive preferential treatment.

Law 12 of 1986 provided, in effect, that the share of the tax revenues that the nation transfers to the municipalities will rise from 30 to 45.3 percent. Of this total, 28.5 percent will be apportioned among all municipalities, and the remaining 16.8 percent will go only to municipalities with less than 100,000 inhabitants.

Simulations done by the Central Mortgage Bank for purely illustrative purposes show that if the municipalities with under 100,000 inhabitants, which will get preferential treatment in the VAT transfer, use 100 percent of their new borrowing capacity, they could in 1992 secure loans of more than 110 billion. The estimate for 1987 is under 7 billion.

According to a study by Jorge Vivas that was published recently by the National Federation of Coffee Growers, this means that for each additional peso of VAT revenues transferred to the municipalities with under 100,000 inhabitants, their investment potential will double if they make full use of their borrowing capacity.

More Obligations

But the municipalities will, at the same time, have to provide an important package of economic and social services that the central government used to be in charge of (see list)

The equation will work in a few municipalities; the new funding will enable them to provide the new services. Such is the case with the major capitals that, besides the VAT, have a large tax base in real estate, industry and commerce.

In 1992, Bogota will receive 28 billion from the VAT transfer alone; Medellin, 10 billion, and Cali, 9.5 billion.

But the great majority of the country's towns will have serious trouble meeting their obligations.

And it is not just because the funds transferred could turn out to be scant or because the base for the other taxes is nonexistent. It is also because their administrative and technical capacity will prevent them from properly investing the new funding.

Jorge Vivas' study shows the great heterogeneity that exists in Colombia on the municipal level and the huge differences that arise therefrom as far as their executive capacity is concerned.

Using a classification devised by Jorge H. Cardenas at National Planning, Vivas contends that close to 850 of the country's municipalities, in which 43 percent of the population lives, require support from the central government. "Not just at the institutional level in technical and administrative matters but also in identifying, executing and assessing high-priority social projects and infrastructure works that will help improve the quality of life of their inhabitants."

These 850 municipalities constitute what could be called the "municipal lower class." The "middle class" (in Cardenas' classification) consists of 106 municipalities that account for 8 percent of the population. There are only 37 municipalities in the "upper class," and most of them are department capitals; 48 percent of Colombians live in them.

So as not to give a long list of the poor municipalities, we need only mention Buzbanza and Iza (in Boyaca), Beltran (in Cundinamarca), La Salina and Sacama (in Casanare), Cabuyaro (in Meta), and California, Jordan, Palmar, Palmas de Socorro and Vetas (in Santander), whose VAT revenues will not reach 35 million, according to projections.

To them decentralization cannot mean continued abandonment. To forsake them would be to undermine what to many is the most important political change in the country this century.

The New Functions

As of 1992 the municipalities will have full responsibility for providing the following services:

1. Drinking water, basic sanitation, slaughterhouses and marketplaces.
2. The construction and maintenance of health care centers, local hospitals and homes for the elderly.
3. The construction, outfitting and maintenance of schools and athletic facilities.
4. Rural extension work and technical agricultural assistance.
5. The awarding of uncultivated land on behalf of INCORA [Colombian Institute of Agrarian Reform].
6. The formulation and joint financing of comprehensive rural development programs.
7. The construction and maintenance of local highways and roads, bridges and river ports.
8. Installation of the electric power grid in urban and rural areas.
9. Joint financing, with the ICT, of housing programs.
10. Improving building sites with road infrastructure and public utilities.
11. The administration and operation of river ports and docks.
12. The granting of permits for the execution of housing programs and real-estate sales.
13. The administration of all activities having to do with the operation of urban and suburban passenger and mixed public transportation.

8743

UP Leader on Violence, Insurgency, Paramilitary Groups

33480087 Havana *BOHEMIA* in Spanish
No 4, 22 Jan 88 pp 74-75

[Interview with Patriotic Union President Bernardo Jaramillo by Maggie Marin; date, time, and place not given]

[Text] It is not easy to talk with a man whose life will hang by a thread as soon as he sets foot on his native soil. His predecessor, Jaime Pardo Leal, was gunned down right before the eyes of his terrified wife and children one Sunday last October as he was trying to make up for the daily torment of threats with a little family affection.

Since that time, the wave of violence that has overtaken Colombia, from Cundinamarca to Antioquia and from Magdalena to the Valle del Cauca, is far from subsiding, and in fact is on the rise. But Bernardo Jaramillo has the ability to convey confidence and the joy of living:

"We have tried to keep up the gay spirit of our people," he says, "in keeping with our optimism and combativeness. Because we believe that the Patriotic Union is a very powerful weapon against fascism. It is a mistake for people to wrap themselves up in their own individuality. In Colombia, fortunately, the people have begun to participate in major demonstrations for life, against militarism and violence."

[Question] Can you tell us who is behind the dirty war and what objectives they are pursuing?

[Answer] Colombia is a kind of laboratory where the United States is testing a new concept of government for Latin America. The imperialists and the Colombian bourgeoisie are trying to establish a new model of domination through an ostensibly democratic regime that is shored up by the actions of the dirty war and militarism at all levels. Everything is framed within the country's particular situation, where common crime, drug trafficking, paramilitary commandos, and vigilante groups are all combined.

They have gone from the murder of former guerrillas to the systematic elimination of the leaders of the Patriotic Union, primarily, but also of members of the ruling party itself, members of human rights organizations, priests, professionals, and even journalists. They are trying to impose a reign of terror to prevent the consolidation of the unification process the people are undergoing. Proof of this is the fact that these deeds have become ever more frequent with the emergence of the Sole Central Organization of Workers, the growth of the unification process in the peasant movement, the birth of the Simon Bolivar Guerrilla Coordinating Body, and in general the steps that have been taken to achieve unity in the forces of the left. They want to prevent the great catastrophe that is looming on the horizon.

The Colombian Army is developing the U.S. policy of eliminating the primary popular leaders. They are not confronting the guerrilla movement; with their logistical support, they strengthen the paramilitary groups that commit the crimes, creating a situation of anxiety in some sectors that impedes and hampers the political participation opened up to the revolutionary forces through the Patriotic Union.

[Question] It is no exaggeration, then, to assert that you are headed toward all-out war.

[Answer] They are looking for a war situation that is not good for the Colombian people at this time. We must be realistic and see that the revolutionary movement has not built up enough force to say that we are at a decisive

moment of popular insurrection, which would be the only strong response possible at a given moment to the provocations of the extreme right. The mass actions will continue and will expand, I am convinced of that.

The action of the Simon Bolivar Coordinating Body will become more comprehensive, and the political unification of the democratic and revolutionary forces will attain higher levels. Then the regime will be faced with just two alternatives: engage in dialogue with the guerrilla movement and implement a series of political, economic, and social reforms as demanded by the people, or throw the country headlong into a lamentable civil war. This will happen if it continues to give free rein to the forces of the extreme right.

[Question] Is it true that many members of the paramilitary groups belong to the Armed Forces?

[Answer] The indoctrination, management, and orientation of the groups is carried out by members of the Armed Forces. Before his assassination, Jaime Pardo filed several charges with concrete evidence against various members who were involved in crimes. There is no doubt in the minds of the Colombian public that there is a group of officers and petty officers who are dedicated exclusively to waging the dirty war.

[Question] Can it be said that the citizenry has been affected psychologically by this situation of violence?

[Answer] Without a doubt, there are such cases. If I could talk here, even in my own case with my daughter . . .

[Question] We were planning on asking you later about the personal threats . . .

[Answer] I have received many threats. By phone, in writing . . . But speaking of the psychological effect on people . . . Even before I was elected president of the Patriotic Union there was a situation at the school where my daughter goes. They were given an assignment to put down in writing what they wanted most. Most of the children in that case wrote, "I want a bicycle," "to go for a ride," "to go to the playground." And my daughter responded, "I want them not to kill my daddy." That clearly demonstrates the degree of tension and the negative influence that is touching even the children. Many of the crimes have been committed in the presence of children."

[Question] Can you tell us about the current status of the guerrilla movement?

[Answer] The emergence of the Coordinating Body is very significant and important. For the first time, the oldest guerrilla group in the Americas and in the world, and the largest one, has managed to give the working people of Colombia a feeling of optimism and hope. These agreements that have been forged in the military

sphere should attain equal strength in the political sphere, and the Patriotic Union has set that as its central task for 1988: to create the broadest possible front to represent the various political forces, primarily the revolutionary ones. And we are working very seriously with the Popular Front, with the Convergence and Unity Movement, and we will continue developing this task with numerous forces in order to create a broad front that could even incorporate democratic forces of the traditional parties. The emergence of the Simon Bolivar Coordinating Body is very positive, but we need agreements on the political front. Whatever emerges from that effort will be very powerful.

[Question] What is your opinion of the steps taken by the Colombian justice system to track down the murderers of Jaime Pardo Leal?

[Answer] The judge who is conducting the investigation is a very serious man who really is committed to solving the murder, but the problem is, Colombian justice is also undergoing a dramatic crisis; it does not have the capacity to carry investigations out to the fullest. We provided him with several pieces of evidence, documents and testimony, which have enabled him to issue several arrest warrants against six citizens. Four of them were direct participants, one paid the money, and another was an accomplice of the actual assassins. But the masterminds have not been identified. Now they are trying to point the finger at a well-known drug trafficker, Rodriguez Gacha, because of the charges Jaime Pardo levied against him for his ties with the paramilitary groups. In fact, he is implicated in the crime. But Mr Gacha participated in meetings with several generals. In the last days of December, an anonymous bulletin was even circulated—all indications are that it was put out by the police or the military—in which several officers of those forces are accused of being involved in the assassination. So we must look for the real masterminds of the assassination; we must not be diverted by red herrings.

[Question] How do the parties in the Colombian political spectrum look coming into the departmental elections?

[Answer] The Liberal Party is splintered; it has three candidates so far. This, along with the discrediting of the Barco administration, indicates that it will not fulfill its leaders' expectations. The Conservative Party has managed to unify its forces in the principal cities, but it does not have a real alternative program. For all these reasons, we think this is a good opportunity for the truly democratic and revolutionary forces to achieve good electoral results.

The Patriotic Union has deep roots in new sectors of the Colombian population. We know that in several regions we cannot have a presence because of the crimes and the

systematic violence against us, but we have been able to move toward a political convergence which we believe will have a significance far beyond the electoral one. Especially in Bogota.

[Question] What responses have you gotten from the government when you have requested protection?

[Answer] Our requests have received very little response. Very few of the comrades who have requested bodyguards have been provided with them. A large number of people are practically defenseless, and comrades continue to fall. In view of this situation, we have taken our own measures, but our bodyguards cannot do their jobs with ease. In November two of my bodyguards at the Patriotic Union disappeared. Those comrades also receive threats, and we have stated that if there are no guarantees for the popular movement as a whole, then the popular self-defense of the masses will have to come into play. That was demonstrated the very day Jaime Pardo was killed, when for the first time the people who took to the streets in protest answered the shots of the repressive forces with their own gunfire. It is in this context that we must act, because we are not going to give up our open political action. That would mean surrendering the political space we have won to the right.

[Question] Could you give us a brief assessment of the Virgilio Barco administration?

[Answer] It has been disastrous. The country is in a total crisis. This is the first government in the history of our country that has lost the people's confidence in its first year in office. Internally it is fragmented. It has obstinately refused to engage in dialogue with the political forces, with the guerrillas, with the Church, with the trade unions. It has really pursued an erroneous policy. Economically, it advocates the privatization of the little property remaining in state hands, especially in the area of production, and its price and wage policy has condemned millions of Colombians to poverty.

It achieved equilibrium in the balance of payments by obtaining credit from France, Canada, and the FRG. Even the government itself acknowledges that nearly \$1.5 billion has come in through the so-called "side window" [ventanilla siniestra] of the Bank of the Republic, which is where drug money generally comes in. It has not accomplished anything in the social sphere, either. It has carried out a few puny projects in this huge country where the need is so great—just a drop in the bucket.

[Question] What can you tell us, finally, about juvenile delinquency?

[Answer] It is a tremendous problem, because our social composition has a profound impact on children and youths. It may seem incredible, but the people involved in crime, the hired assassins, are 16- and 17-year-olds. They are not mature enough to decide what to do with their lives, what is good and what is bad. They are just kids, swept up in this tragedy because of the critical situation that Colombia is going through today.

08926

Contra Adviser Questions Repatriation Policy
32480092b San Jose LA REPUBLICA in Spanish
8 Mar 88 p 7

[Text] Leon Nunez Ruiz, legal adviser to the Nicaraguan Resistance (RN), stated that the idea advanced by the vice minister of the presidency with regard to the problem of military service in Nicaragua and the repatriation of Nicaraguan refugees is very unfortunate.

Nunez added that we should not promote the repatriation of Nicaraguans between the ages of 13 and 50 unless they are informed clearly and explicitly that when they return to Nicaragua they will either die or be killed.

"In fact," indicated the legal adviser, "I would say that the Repatriation Pact of 3 October 1987 violates the spirit of Esquipulas II."

Nunez went on to state that this week he will respectfully ask Dr Oscar Arias to personally take letters dealing with this matter, because while on the one hand he is promoting peace and brotherhood among Central Americans, on the other hand officials of his government are promoting war. "Or isn't it promoting war to encourage the Nicaraguan refugees to return to their homeland to take up arms?"

"The vice minister himself stated to LA REPUBLICA that at no time did the Nicaraguan Government agree not to recruit . . . Nicaraguan repatriates. This means, without a shadow of a doubt, that the repatriation is being promoted with full awareness of the fate that awaits the refugees upon their return to Nicaragua," added Nunez.

Nunez continued, "Mr Cordero is trying to justify military service in Nicaragua by separating it from political and ideological positions, which is precisely the same as the official position defended by the totalitarian government in Managua. The fact is that this military service, from the legal point of view, is illegal; it violates the 1969 American Convention on Human Rights (which both Costa Rica and Nicaragua are obligated to enforce). And from the democratic point of view, it is contrary to Western political values, given that for us it is inconceivable for a political party to have its own army."

"It is obvious that forcing someone to join the ranks of a political party's army should be branded as a repressive act in violation of human rights. It would be like arguing in favor of the Social Christian Unity Party organizing its own army and forcing all Costa Ricans to enlist," he contended.

Finally, Nunez stated that the conclusion that the Sandinist army is the army of a party called the Sandinist National Liberation Front (FSLN) is based on Nicaragua's own legislation. Suffice it to review these precedents: The defunct National Reconstruction Government Junta, by means of Decree 1327 of 6 October 1983,

established mandatory military service, stating that such service must be rendered "in units and departments of the Sandinist Popular Army." Now according to Article 1 of Decree 67 of 13 September 1979, "the use of the term Sandinist in political terms, symbols, and insignias is reserved exclusively to the Sandinist National Liberation Front (FSLN) and to the entities of all types that are organized by it or that join it under its direction."

This means, said Nunez, that the organizations created under the Sandinist name are part of the party called the Sandinist National Liberation Front. The organizations of this party include, for example, the "Sandinist Popular Army," which was created by Decree 53 of 22 August 1979, and the "Sandinist Popular Militias," created by Decree 313 of 15 February 1980.

"To be sure, not only under the aforementioned legislation, but also under laws enacted subsequently, the government in Managua recognizes—by law, no less—that the Sandinist Popular Army is an army of a party called the FSLN," argued the RN adviser.

"So I would ask the vice minister: Should military service in Nicaragua be considered separately from 'political and ideological positions'? Moreover, should forcing someone to enlist in the army of a political party be considered a violation of human rights, or not?" said Nunez.

"Finally, from the strictly humanitarian standpoint, in terms of basic human solidarity, should we promote the return to Nicaragua of people who will be forced to go to war, that is, people who will either die or be killed?" he concluded.

08926

Price Controls, Inspections Explained
32480093 San Jose LA REPUBLICA in Spanish
21 Feb 88 p 6

[Text] Inspectors of the Ministry of Economy and Commerce (MEC) are monitoring the prices of a variety of products, including bread, school supplies, and inexpensive shoes.

The MEC chief of price controls, Victor Vargas Lopez, explained that the "school" program began this month and includes strict controls on the prices of school supplies. In addition, the costs of other products recently subject to adjustment are being monitored.

Vargas explained that 13 products have fixed prices: rice, beans, corn, liquid milk, lard, sugar, chicken eggs, meat, notebooks, parking, coffee, bread, and molasses.

Profit margins have been limited for another long list of various products, 60 in all. These goods are in the so-called basic basket.

Vargas explained that there are three basic baskets in the country. One is the basic basket established by the Economy Ministry, and is used to measure profit margins. The Labor Ministry has a basic wage basket to measure the price index. And the Finance Ministry's basic basket is used to calculate tax exemptions. These baskets contain almost identical products, but the wage basket, for example, also includes water and electricity, mass transit, and clothing.

In the case of the products for which a marketing margin is allowed, the MEC restricts inspections to stock on hand. That way, products marked with the old price will not begin to be sold at the new price. In recent days, this has happened with flours and rice, for example.

Inspectors will also make sure prices are within the limits established for profit margins.

The profit margins for the goods in the "basic basket" range from 5 to 25 percent for wholesalers, and from 10 to 25 percent for retailers. (At the end of this article is a list of the products contained in the MEC's basic basket.)

In many cases, the inspection is made easy. For example, products in the basic basket may have prices set at the factory, as in the case of notebooks.

These days, when consumers tend to be buying school supplies, shoes, and clothing, the inspectors are concentrating their efforts on the stores that sell this type of product, noted Vargas.

Each month the price inspectors visit about 3,000 commercial establishments. Between 100 and 400 are cited for violating the law each month.

According to the Consumer Protection Law and its regulations, violations are classified as misdemeanors or infractions. Infractions include:

- Failing to display the unit price
- Failing to post lists of items
- Claiming that goods for sale have features they do not really have
- Claiming false price discounts
- Offering discounts without indicating the previous prices

Punishable misdemeanors include:

- Hoarding
- Adulteration (altering or falsifying goods or a service)
- Speculation (offering goods for sale at prices higher than those officially set)

According to the Economy Ministry, there are other crimes in which its inspectors will not become greatly involved, or will only intervene sporadically. These offenses include over- or under-invoicing and destroying products for purposes of profit or dumping.

Vargas said that all merchants have an obligation to provide receipts for purchases, and those receipts must show the maximum percentage of profits.

The inspection effort is focused, naturally, on businesses that sell the most frequently purchased items. Jewelry stores are rarely visited, and the same goes for car dealerships. Only in the case of specific complaints do inspectors go there. Last year, for example, as a result of the "people's car" advertisement, a lot of complaints were filed by people who thought they had been misled. The prices of the vehicles were not as low as people expected, said Vargas.

Vargas explained that the work of the price inspectors is divided into two major areas: the metropolitan area and the regional offices. Altogether there are 11 offices. The inspectors' working hours are from 0800 to 1600 hours, but sometimes they must inspect bakeries in the early hours of the morning. The directives of the MEC are strictly followed in this work.

The inspectors must identify themselves when they arrive for an inspection. If they find any irregularities in price setting, a judge will determine the fine.

Vargas explained, however, that fines hardly ever exceed 20,000 colones, if they are imposed at all. When a merchant repeats the offense, he may be punished with a 30-day fine the first time. The second time the fine is 50 days, and the third time 100 days. Subsequent offenses may lead to an incommutable jail term, and even to the closing of the business. Such cases are rare, however.

The products in the so-called basic basket are the following: sugar, coffee, flour, bread, rice, red and black beans, white corn, yellow corn, milk, cheese, cornmeal, tortillas, food pastes, meat (livestock on the hoof, meat, and meat byproducts), chicken, fish (fresh fish and canned tuna), eggs, vegetable oil, vegetable lard, margarines, assorted candies, salt, school uniforms, school and orthopedic shoes, inexpensive clothing, toilet paper, bar soap, toilet soap, detergent, toothpaste, light bulbs, candles, matches, shoe polish, medicinal products, school supplies and materials (notebooks, lead pencils, colored pencils for school use, notebook paper, economy ball point pens, textbooks, rulers, triangles, protractors, compasses, erasers, chalk, and pocket pencil sharpeners), materials for housing construction (cement, construction bars, roofing sheets, nails, electrical wiring, plumbing pipes, bricks, construction blocks, paint, plumbing accessories, construction pipes of all kinds, lime, rock and sand, and lumber), diesel fuel, and bunker.

08926

Banana Export Figures

32480092a San Jose LA NACION in Spanish
8 Mar 88 p 2C

[Text] A total of 51.9 million crates, weighing 18.14 kilos each, was exported by banana growers last year. This figure is 6.8 percent higher than the 48.6 million crates exported in 1986.

This marks an important step toward reaching the goal of exporting 60 million crates in 1990, explained spokesmen for the National Banana Association (ASBANA). This objective is a key point in the National Banana Reactivation Plan.

The aforementioned production yielded earnings of \$202.5 million, FOB price, in addition to \$11 million earned by the country from taxes, according to data supplied by ASBANA. In 1986 banana exports brought in \$184 million, with additional tax earnings of \$13 million.

The difference in tax collections is due to the fact that the National Banana Reactivation Plan calls for yearly reductions in the amount paid for each crate shipped.

In 1987 the targets set by the National Chamber of Banana Growers were exceeded; the projected export total was 52 million crates.

This increase was achieved thanks to a combination of internal and external factors. The expansion of plantations for area restoration, the beginning of operations on new plantations, and the increase in average productivity per hectare were the internal factors that contributed to the increase.

Internationally, the harsh winter that plagued West Germany temporarily reduced demand for bananas, because people did not go out to buy them. When the weather

returned to normal and Germans stepped up their demand, suppliers such as Honduras, Guatemala, Ecuador, and Colombia faced production problems, and Costa Rica took advantage of this situation to sell more bananas to that European nation.

The Standard Fruit Company reported the highest production figure, 21.1 million crates. This total was 15.5 percent higher than the previous year's.

Bandeco produced 20.8 million crates, an absolute increase of 4.6 percent. That company's production accounted for 40.1 percent of all banana exports.

The firms Cobal, Chiriqui Land Company, and Compania Bananera de Costa Rica exported 9.5 million crates, representing 19.2 percent of the country's overall sales.

In the banana-growing region of the South Pacific, production fell by 5.6 percent below the 1986 level, but in the Atlantic region it rose by 7 percent, according to information supplied by ASBANA.

The United States is still the principal customer for Costa Rican fruit, with a total of 29.5 million crates, 56.8 percent of total exports. The second largest importer is Germany.

08926

U.S. Military Policy After Elections Viewed
32480089b Havana VERDE OLIVO in Spanish
Jan 88 p 65

[Text] In just 6 months, the Democratic Party of the United States will determine who its candidate will be in the November presidential elections, and it's anyone's guess who the man will be. It is more or less clear, however, what the Democrats' military policy will be if they manage to replace the Republicans on Pennsylvania Avenue.

As this plank in the platform has taken shape, it has become clear that the idea is to seek a more "hard-line" image in the voters' eyes, while at the same time sharply criticizing the defense strategy of the Reagan administration. This will be a very difficult undertaking, given that during its 8 years in office this administration has carried out a war-mongering policy of continuous increases in military spending and operations that range from the perfidious and pyrrhic invasion of Grenada to the expansion of its involvement in the Persian Gulf, and including the aggression against Libya, the mining of the Nicaraguan ports, and the constant maneuvering of military forces in all theaters of operation on the planet.

But the fact is that the Democrats want to grow. Hence the book "America Can Win," published last year by the controversial Gary Hart, who ended up dropping out. Moreover, prominent men such as Senator Sam Nunn, chairman of the Defense Committee; Representative Les Aspin, his counterpart in the House; and Representative Stephen Solarz, of the Foreign Relations Committee, have assailed what they call the president's inability to remedy the "military inferiority of the United States." They argue that the frenetic spending lacked any logical strategy and therefore failed to contribute to the overall defense plan.

It appears that the Democrats will bring in the big guns in their battle to portray themselves as the strong guardians of "liberty" in the world; international press reports mention four broad lines in the Democratic policy: resistance to Soviet communism, reinforcement of the American nuclear deterrent capacity, an increase in conventional military potential, and the reorganization of the military apparatus in terms of combat readiness. Nonetheless, so far they have been very reluctant to discuss what will happen with the budget.

This gives rise to the old argument about whether they are hounds or greyhounds.

8926

Fighter Pilot Recounts September Downing of Mirage in Angola
32480089a Havana BASTION in Spanish 26 Jan 88 p 3

[Article by Lt Col Elias Santiago, photos by Jorge Luis Gonzalez (special correspondents)]

[Text] With clear skies over the People's Republic of Angola, Maj Ley takes his jet up for a high reconnaissance flight with 1st Lt Chao Gondin, the other member of his team.

Shortly afterward, the ground controller's radar picks up two intruders moving into Angolan territory across the southern border. He quickly sends Ley and Chao out to intercept them.

In fact, they are two Mirage-3 jets of the South African Air Force. They try to sneak up on the Cuban fighters from the side and neutralize their forward weapons, which have a longer range.

Chao, who is the "wing man" on the team, informs his "leader" that he has the target in his sights, but cannot shoot because Ley is in the same direction. Ley asks him to move ahead and fire, but the speed of the two craft makes the operation impossible.

Meanwhile, the ground controller continues to report to them on the distance between them and the enemy aircraft: 21 kilometers, . . . 12 . . . 8 . . . until Ley sees them in front of him and, without wasting a second, prepares his close-range combat weaponry.

The South African planes are approaching the confrontation at a speed of 1,000 kilometers per hour, while Ley and Chao fly their powerful Mig-23s at 1,100 kilometers. In a fraction of a second, they cross paths, and all turn to the right on their respective adversaries. Ley incessantly seeks the front of one of the targets, with Chao on his tail.

Communication between the two Cuban pilots is constant, especially at the moments when it appears that combat at close quarters will ensue. In that case, the only possible outcome will be the victory of those who have a greater mastery of the technology and superior combat training.

Chao once again tells Ley to "hang" a hard right, and he does so without a moment's hesitation, until he closes to within 800 meters of the enemy aircraft. The "leader's" weapons are ready; Ley pulls the trigger, and a missile fires from the right side, seeking the heat of the enemy plane to make it pay dearly for the destruction and death the enemies had planned to sow on Angolan soil.

The other aircraft that was covering its counterpart suddenly beats a hasty retreat to its home base, to avoid meeting the same fate.

Thus, in a few emotion-charged words, Maj Alberto Rafael Ley Rivas, a top-grade pilot in our Revolutionary Air Force, related to BASTION the events that occurred the afternoon of last 27 September in southern Angola. It was there that, for the first time, our pilots shot down a South African Mirage-3.

Then we quickly realized that the joy expressed by this young pilot of the Antiaircraft Defense and Revolutionary Air Force (DAAFAR) is well-founded. He has already served three internationalist missions in the People's Republic of Angola, and has been awarded, among many other prizes and decorations, the Order of Ernesto Che Guevara, third degree, on two occasions.

Photo caption: Ley Rivas is on his third internationalist mission in the People's Republic of Angola. [photo of black pilot not reproduced—FBIS]

08926

Perestroika Explained in Newsmagazine, FAR Daily

Economic Reform, Glasnost Discussed

32480088a Havana BOHEMIA in Spanish
No 6, 5 Feb 88 pp 74-76

[APN article: "A Small Dictionary of 'Perestroika'"]

[Text] "Rem verba sequenter" (words follow things), as the ancient Romans used to say. What is the specific meaning of the terms used to designate the renovation processes that are under way in the Soviet Union today?

Perestroika: The dictionary of the Russian language gives the following explanation: "Transformation, reordering, change." It should be made clear that the multifaceted process of "perestroika," which concerns all aspects of Soviet society, does not affect the foundations of the socialist system that was established in October 1917 on the basis of some invariable principles: public ownership of the means of production, the absence of exploitation of man by man, the social dimension of economic activity and all other activities, subordinated to the interests of the worker, and the exercise of power by the people themselves.

The socialist "edifice" built on these principles is being renovated with a revolutionary spirit at all levels. This renovation, preceded by a period of stagnation that was gradually spreading to all aspects of life, means not only an accelerated advancement but also the rectification of the errors committed in the past.

What Does "Perestroika" Mean?

From the economic standpoint, it is the abandonment of indices that are merely quantitative, to satisfy the consumer primarily, rather than the statistician. The means to obtain this are: the comprehensive reform of the economic planning system by eliminating authoritarian management methods and introducing economic criteria instead; and the autonomy of enterprises (industrial, commercial, and agricultural) so that they can modernize without directives from above, in accordance with

the laws of the market and the state plan, giving the labor collectives an economic and moral interest in doing highly productive work and in maintaining the quality of that work.

With regard to the development of democracy, "perestroika" has taken gigantic steps. We should mention the election of enterprise directors; the state enterprise law passed last June provides for mandatory elections.

Access to information enables public opinion to freely consider the problems and difficulties of the present and the past. Here is one illustration of that: Since 1 January 1987, the country's central press has garnered 4.5 million new subscribers. Changes have been made in the electoral system to expand the degree of competition among candidates and to offer more choices to the electorate. Municipal elections, held last June, have revealed a more active participation by the citizenry.

In the social sphere, "perestroika" is aimed at improving the people's well-being and providing them with broader possibilities for overall personal development and for taking advantage of the conditions created in the areas of culture, sports, and leisure. Solving the housing problem, reducing manual labor, boosting the population's real income, flooding the market with a variety of goods and services, improving public health, education, and social security—all these objectives are included in what has come to be known as a strong social policy, oriented toward meeting the most varied needs of man.

Acceleration: This word entered the country's political vocabulary after the plenum held by the CPSU Central Committee in April 1985. On that occasion, Mikhail Gorbachev presented an impressive report in which he posited the need for radical change in order to accelerate economic and social development in the USSR.

In April 1985, the broad features of the acceleration formula were presented; it was still essentially a rough draft. After a year, the CPSU's 27th Congress put the finishing touches on the acceleration formula, laying down a program of specific activities.

Acceleration, as it is understood in the USSR, is not just a solution to the problem of how to increase the rates of economic growth, although in this regard the target is truly ambitious: to double industrial production and national income before the end of the century. In other words, to do as much as has been accomplished in the 70-year history of Soviet power.

But the priority today is not quantitative change, but qualitative change. The strategy of accelerated growth is based on the assumption of profound structural changes in the economy, rapid technological advancement, radical reform of the management and planning systems, and

changes in the nature of work, in living conditions, and in the cultural sphere. What it all adds up to, therefore, is a renovation of the society's life in all its aspects, with a revolutionary spirit.

Obstructive Mechanisms: This expression has taken on a new political meaning in the USSR. When the press talks about obstructive mechanisms, everyone understands that it is referring to barriers of different types that hinder the renovation process.

At the plenum of January 1987, obstructive mechanisms were repudiated. Mikhail Gorbachev stated that in the last few decades, an entire system of debilitating factors has emerged to hinder the economic instruments of power. In the words of the Soviet leader, "a singular mechanism has developed to obstruct socioeconomic development and hamper the progressive transformations that enable us to discover and take advantage of the benefits of socialism."

The concept of "obstructive mechanism" includes a wide range of phenomena, including theoretical dogma, the "I give the orders around here" method of management and planning, equalizing tendencies in wage policy, bureaucratism, inertia of thought, and social apathy.

Glasnost: When a small group of Soviet writers and scientists expressed their opposition to the project to divert rivers in northern Siberia to southern parts of the USSR, the outcome of the conflict seemed to be a foregone conclusion. The "ecologists" were pitted against 185 organizations, including several central ministries, all united by common interests. But the debate on the diversion came into the public spotlight, and many voices of authority joined the opposition, leaving advocates of the project in the minority. As a result of the free exchange of opinions, the Soviet government decided in August 1986 to halt the project.

This case is significant not only for its direct results, but also because of the fact that the voice ("glas" in Russian, hence the word "glasnost") of the people was heard and heeded. Today "glasnost" is something more than an attractive slogan; it is a norm of our social life. Deficient economic management, economic reform, individual work, the battle against drugs, the exposure of abuses of power, relations among different nationalities, the democratization of internal life in the Party, the elimination of "gaps" in the history of the USSR—these and many other problems that have gradually come to light through the mass media give the country's public opinion plenty of cause for reflection. Without "glasnost," this would be impossible.

Democratization: The basic orientations of this term are defined in the "perestroika" section. One underlying circumstance must be pointed out here: In socialist society, democratization has a different orientation than it does in capitalist society, and a more profound political and socioeconomic content.

The principal reason is that socialism does not allow the exploitation of man by man as a matter of principle, its goal being the improvement of the socialist regime and gradual progress toward communism. The latter means a highly organized society of free and aware workers, based on social self-management. In this society, work will be a vital necessity, and the capacities of each individual will be utilized to the maximum benefit of the people (let us recall the great principle of communism: "from each according to his abilities, to each according to his needs").

Speaking of the difficulties of meaning, we can cite an example drawn from the labor sphere. For many Western workers, the democratization of labor life means, among other things, the struggle for access to accounting information. In the USSR, as far as accounting is concerned (benefits, expenditures, and revenues), labor democracy is understood to mean something different today: the collective and open sharing of benefits in accordance with the labor contribution made by each worker. This is really something different.

But democratization is not limited to the labor sphere. The task is laid down in broader terms: developing the socialist self-government of the people in a consistent manner.

As important and fundamental as the decisions adopted in the USSR are in terms of the democratization of society, socialist democracy has a long history, going back no less than 70 years. The system of worker participation in the management of social affairs has impressive characteristics. Suffice it to say that it covers a third of the adult population. More than 2.3 million people are deputies to the organs of government (Soviets). Other facts could be cited to illustrate how broadly the people exercise power, but here again, these are not quantitative indicators. Quality is a priority objective in all areas today. Thus, taking full advantage of existing democracy in the country, the Soviets want to advance in their development, creating new mechanisms and improving those that already exist.

They also want to restore order in areas that have been disturbed in the last 10 years. We have many defects that in some cases are very serious. The Party points them out openly. But these are not inherent defects in socialism, or in socialism as a system; they are deviations from socialism that are today being exposed and eradicated, or so-called "growing pains." We must not forget that the bourgeois democracy took nearly 3 centuries to become solidly entrenched (taking as a point of departure the bourgeois revolution in England). The antecedents of socialist democracy do not date so far back. It is not fair, therefore, to demand perfection so shortly after its birth.

New Mentality: The most exemplary of its manifestations is the conclusion reached at the 27th Congress regarding the interdependence and integrity of the

world. This approach, based on the unification of peoples rather than the division thereof, entails such elements as tolerance and the ability to limit oneself in military activity; a willingness to adopt the most radical measures with regard to disarmament and arms control; respect for the interests of other peoples, overcoming prejudices, resentment, and mutual mistrust; and giving up attempts to obtain unilateral advantages.

The Soviet Union not only praises the new political mentality, but uses it as a basis for its practical activity. The unilateral moratorium on nuclear testing, which lasted more than a year and a half, the "double zero option" proposal, and the proposal to eliminate medium-range missiles in Europe, are illustrative of this attitude. The Soviet Union has set itself the primary goal of completely eliminating nuclear and space weapons before the end of the century.

The new mentality in foreign policy is closely related to domestic policy. It covers all aspects, and is indivisible by virtue of its main qualities, such as realism, dynamism, responsibility, a democratic and innovative spirit—qualities that cause us to focus on internal and external problems on the basis of the same principles. The changes begun in the USSR reveal the true intentions and aspirations of the Soviet people. "Perestroika" is an invitation from socialism to emulate peacefully any other social system. For this to be possible and to be carried out in a civilized manner, the new mentality must be present in both foreign and domestic policy.

Changes Relevant to Armed Forces

32480088a Havana BASTION in Spanish 22 Jan 88 p 2

[Article by Marietta Cabrera]

[Text] Worldwide expectations continue to be influenced by the atmosphere of renewal that has accompanied the restructuring process in the USSR. With the recent visit to our country by Lt Gen Boris Sergeevich Popov, the chief military prosecutor of the Soviet Armed Forces, we could not resist asking his opinion on an important matter: law and the Armed Forces within the "perestroika" universe.

"It is well known," he said, "that restructuring has affected more than just the economy, but the economy is the most important element in this process. The 27th Congress of the CPSU and the resolutions and provisions issued by the Central Committee plenum point to the need to move the economy forward; but if this is not helped with legislation, it cannot play its role.

"It is no coincidence that in recent years our Party has been working diligently on drafting new legislation; in fact, we are giving more priority to the development of economic law, on which the entire mechanism in this sphere is based, than to the penal code. One example is the state enterprise law, which not only has economic weight, but also political and social weight, because it has

given such power to the collectives that they have become the owners of the enterprises. This holds true for both discipline and economy, as well as in the area of democracy, to the point that directors are now elected by the workers themselves.

"It is not simple; there are complexities. Many people have outmoded ideas; man is conservative by nature. We are interested in having young people hold management positions. We must be bold enough to mix the old cadres, who should not think about accommodation, with the new cadres, who have revolutionary energy and will not yield to conservatism.

"No significant changes have been made in criminal law. We have retained the idea that the method of persuasion should be tried first, then coercion. This process is developing hand in hand with the expansion of democracy. Thus, in the battle against alcoholism, women have played an active role as enforcers of this law, which has had an influence on the decline in divorces.

"This democratization also reaffirms the law that provides for court challenges to the actions of officials, so that a citizen can take his boss to court for malfeasance.

"On 28 June of this year, the Party Conference of the Russian Federative Socialist Republic will take place. There two fundamental trends will be analyzed: the ultimate democratization of Soviet society in the economic, political, and social spheres, and even in the new judicial reform; and the work being done with the cadres to enhance their role and responsibility in the restructuring.

"As for decriminalization in the Armed Forces, we are following the same course as you are. We are working on the roots of a new code, with special emphasis on persuasive methods. In this way, there will be no jail sentences for about 15 types of crime.

"Other evidence of this is the recent modification of the law on disciplinary units.

"Anyone who serves a term in a disciplinary unit is considered, for all practical purposes, to have no criminal record. Many parents, as well as the accused themselves, appreciate this a great deal. In these correctional units, the number of repeat offenders is less than 1 percent.

"In the future, we will go further along this path; we expect major changes after the aforementioned party conference, and especially as a result of the democratization process in the USSR, which has to do with the Armed Forces. We continue to apply the Leninist concept that the most important thing in discipline is the conscious element; and we are working diligently to educate soldiers so that they can play an active and vital role."

08926

Facilities for Pan American Games Under Construction

32480089d Havana GRANMA in Spanish 29 Jan 88 p 1

[Excerpts] Havana (AIN)—By April of next year the first of the three training gymnasiums for the 1991 Pan American Games should be completed. The gymnasiums are being built at the Cerro Pelado High Yield Center by microbrigade members from various municipalities in this capital.

This gymnasium will be used for handball, and like the gymnastics facility, measures 30 by 66 meters. There are different elements, however; the latter will be built with 3-dimensional lattice-work similar to that used in EXPOCUBA, while the other will have a parapet made of blocks in addition to the metal lattice-work.

The earth movement for the handball gymnasium began on the 15th of this month, and will conclude by the end of next month. The schedule calls for the walls to go up in May, and for finishing work to take place between September of this year and April of 1989, AIN has learned from Eduardo Morejon, project chief.

Morejon indicated in his statements that the other gymnasium will be a multiple-purpose facility, and that the concrete structures are now being erected. The Open Skeleton System (SAE) is being used on this building.

The multi-purpose and gymnastics facilities will be finished by July of next year, when the entire project, valued at 2.4 million pesos, is slated for completion.

At present 50 microbrigade members are working on the site, including a civil engineer and three young women who recently graduated from mid-level technical school in building construction. The project chief described this as a great experience for them, given that they have shown interest in the work and are doing a good job.

08926

Data on Sports Personnel Overseas

32480089c Havana GRANMA in Spanish 26 Jan 88 p 1

[Article by Alfonso Nacianceno]

[Text] Since 1970, a total of 1,060 Cuban sports technicians have lent their international cooperation in 39 countries on 4 continents. At present, 65 specialists in 14 disciplines are sharing their knowledge in 19 nations.

The aid offered by Cuba has been extended to Angola, Algeria, Benin, Bulgaria, Cape Verde, the Congo, Ghana, Guinea Bissau, Kampuchea, Kuwait, Madagascar, Mali, Mozambique, Nicaragua, Nigeria, Peru, Portugal, Tanzania, and Vietnam. In those countries, trainers are active in boxing (13), track and field (11), volleyball (10), baseball (9), basketball (8), fencing (3), weight lifting (2),

theory-methodology (2), chess (2), pedagogical-sports (1), labor gymnastics (1), sports medicine (1), basic gymnastics (1), and table tennis (1).

Cuba has offered eight Olympic Solidarity Courses at the request of various International Federations and National Olympic Committees in the sports of weight lifting, wrestling, swimming, and track and field. The beneficiaries of these experiences were Colombia, Costa Rica, Ecuador, Mexico, Honduras, and Uruguay. Also, through bilateral agreements with Sports Federations or government agencies, another 20 seminars were held in 14 countries.

The National Institute for Sports, Physical Education and Recreation (INDER) has signed agreements and protocols to exchange delegations with 23 nations, the most noteworthy being those signed with the socialist community. A total of 3,594 people traveled to the socialist bloc to fulfill 346 commitments last year. In 1988, the figure will be 3,455 Cubans engaging in 365 activities, 97 of them in the Soviet Union.

Training in Cuba

According to Ciro Perez, INDER director of international relations, as of August 1987 a total of 212 foreign students had graduated from different centers here. Seventy-seven of them received their diplomas from the Comandante Manuel Fajardo Higher Institute for Physical Education and Sports (ISCFD), while the other 135 graduated from the Elementary Physical Education School (EPEF). At this time, 83 students are studying at the former and 102 at the latter, representing 32 nations.

With regard to the aid received, since 1961 a total of 272 technicians have come to Cuban facilities, all of them from the socialist bloc. The Soviet Union sent 159, more than any other country. Now 3 specialists are working here, one from the GDR training swimmers, one Soviet specialist in corrective gymnastics, and another one specializing in a variety of track and field events.

On the 28th of this month, Jose Rossi, a Brazilian soccer specialist, is expected to arrive. Later on, 5 highly qualified Soviets will come to advise us on the construction of facilities for the Pan American Games. In addition, a Polish equestrian trainer, a Soviet sports medicine specialist, and an experienced builder of velodromes from the GDR will come here.

08926

Construction of EXPOCUBA Slowed by Personnel, Material Shortages

32480091b Havana GRANMA in Spanish 21 Jan 88 p 3

[Article by Susana Lee]

[Text] The foundations of the structures have begun to rise, and several branch pavilions already have walls. The earth movement continues in the few unfinished

areas set aside for the exposition. Progress is being made on the general and specific projects, on designs, on technical instructions, on the manufacture of the concrete paving blocks for the floors, on the configuration of the network of eating facilities . . . on myriad tasks involved in EXPOCUBA.

The execution of the Permanent Exposition of the Achievements of the Revolution has begun the count-down, and is now in month 12, according to the public commitment made by its builders on the 30th of last month: to complete it in the last days of December so that the 30th Anniversary of the revolutionary triumph can be celebrated there.

Viewed as a whole, the schedule of execution shows some delays, primarily rooted in two problems: the lack of metal structures and the shortage of personnel.

The first problem (all parts—walls and roofs—of eight branch pavilions should have been completed by this time) has been twofold. On the one hand, there have been production delays and sequencing problems at the Paco Cabrera plant in Las Tunas, which gave the Manzanillo pipe factory an extension for the delivery of the zinc-galvanized sprinkler irrigation pipes. On the other hand, the pipe factory has fallen behind in its galvanizing operations because of the backlog of structures and the other priorities it has at this time.

In addition, the work force is some 800 men short. The main shortages are in the Microbrigades Movement, although there is also a lack of personnel in the areas governed by different agencies. This problem began to be solved this week with the gradual addition of four contingents of more than 200 workers each. The contingents were mobilized by the municipalities of Boyeros, Regla, Cotorro, and San Miguel del Padron. Although the workers were supposed to have arrived between the 4th and the 11th of this month, the most recent commitment is to have them all present before the end of January.

No substantial delays have been caused by projects or by the attitude or spirit of those building EXPOCUBA, explained Miguel A. Dominguez, project chief. The rule here is that people work beyond their 10-hour workday, and when necessary, they even double their hours. All are aware of the commitment that has been made, as evidenced by the fact that in recent weeks, after a certain lag in the supply of concrete, 800 cubic meters was delivered and the people made an extra effort to catch up on the foundation work. There is no problem on that account.

There are other difficulties, however, reported Dominguez. One is the lack of some of the equipment needed to move earth in other areas (the oxidation pond and internal roads, for example), so that we can move ahead of schedule on these projects. There is also a shortage of the materials needed to level the Central

Pavilion, but these problems are not as serious as the shortages of structures and personnel. Those difficulties do slow down the execution of the project as the work gets backed up and the deadlines for completion, already tight, approach.

To give the reader an idea of what it means to experience delays in the delivery of these metal parts (components in the 3-dimensional lattice work that are the key element of the exposition's structural design), suffice it to note that the 23 branch pavilions will have 129,000 such parts. After they are manufactured in Las Tunas (pipes and joints) they are galvanized in Manzanillo and shipped to the EXPO. There the coat of grease is removed, a surface conditioner is applied, they are given two coats of enamel paint, and then they are assembled for eventual installation. Could anyone have imagined that there would be such a backlog that soon 50,000 parts will be delivered to the site at once? How many workers will have to be assigned to the task of readying them?

That is why it is so important for work to be streamlined in Manzanillo and to keep pace in Las Tunas, so that the men and women at EXPOCUBA can take care of the rest during this phase of execution, the erection of the structures.

Agriculture-Livestock and Construction Pavilions

The Permanent Exposition of the Achievements of the Revolution is designed, as has been announced previously, as a series of branches. It will have 24 pavilions, one of them the Central Pavilion, where accomplishments in the social spheres will be displayed.

Under the general conceptual guidelines set forth by the Projects and Design Groups, the key groups in EXPOCUBA, professionals and technicians from the majority of state organizations have been working for months on the technical instructions for the branch pavilions. Their work is checked periodically by the Central Investment Group, and once a month a meeting is held with the representatives of all the ministries and the chairmen of the institutions involved, so that progress on the entire exposition can be assessed and the plans for the various pavilions can be presented.

At the most recent of these meetings, the pavilions for the agriculture-livestock and construction branches were presented using scale models and video tapes. Earlier the pavilions for the food, light industry, geology and mining, chemistry, energy, fishing, and nuclear energy branches had been presented. In late February the sugar and steelworking pavilions will be presented.

The proposals for these two branch pavilions were highly satisfactory, and reflected the effort and dedication of the specialists assigned by their respective agencies to carry out this task. Everyone is anxious for EXPOCUBA to be "an outstanding exposition," not only for what is

exhibited there—the sum of 30 years of accomplishments by the Revolution—but also for the aesthetic beauty of the manner in which it is presented and the degree of creativity displayed in the search for architectural solutions and the appropriate elements and resources to suit the project as a whole.

Thus, for example, in the case of the agriculture-livestock branch, its pavilions will include a hydroponic unit, an aviary unit, a small laboratory for artificial insemination and embryo transplants, a typical dairy operation, poultry and pork sections, a windmill and a biogas digester, a display of native Cuban tree seedlings, and a water surface, among many other exhibits.

The construction pavilions cover the activities of the Ministry of Construction (MICONS), the Materials Industry, the Union of Caribbean Construction Enterprises (UNECA), and the Microbrigades. They have a very modern design, with connecting points that are so well integrated that each element fits in with the overall concept of the exhibit. In this project, the what and the how are a whole. The displays include a microdam, a waterfall, and a bridge, and illustrate the revolutionary achievements in water economy, materials production, applied research, construction projects, housing, highway, industrial construction, social construction, work abroad, and so on.

08926

Recent Political, Economic, Social Developments

32480102 [Editorial Report] The following items have been abstracted from reports published in various issues of the Spanish-language press in Nicaragua, as indicated. No 14 of a series.

Amnesty Recipient "Assassinated"—Jose Efren Mondragon, who had accepted the government's offer of amnesty following the Esquipulas Accords, was found shot to death, with signs of torture on his body. According to the victim's mother, Mondragon and a nephew had departed some days before for a farm in San Marcos. Police informed her that both men "died in combat". In a related development, intense patrolling was reported by police, army, and State Security elements in the Camilo Chamorro and El Eden neighborhoods of Managua, in a search for deserters and draft evaders. The patrols arrived 25 March at 5 a.m., and detained an undetermined number of young men. [Managua LA PRENSA 25 Mar 88 p 8]

Managua Civil Defense Exercise—"Hundreds" of civil defense commissions were being reactivated in Managua and neighborhood assemblies in equal numbers were being held to plan how to reactivate more, during an exercise jointly coordinated by the FLSN, the CDS [Sandinist Defense Committees] and the military. Former instructors of the militia were being sought to teach refresher courses to the population. Flyers were distributed calling on civil defense brigades to train in fire-fighting and first aid, and on the CDS to organize the population in "ideological brigades" in charge of "clarifying the reasons for Yankee aggression." Providing volunteers for the Pancasan Battalion was named a priority task of the FSLN and CDS. [Managua BARRICADA 18 Mar 88 p 2]

"Control Brigades" Talk to Draft Evaders—All 10 zones in Managua have formed "control brigades" to "talk to evaders of the active and reserve Patriotic Military Service, with the goal of integrating in their battalions those who have failed to do so, and keeping neighborhood defense mechanisms active." It was also announced that members of the militia will be integrated with the civil defense brigades. The restructuring of the militia into small neighborhood units was said to be "a new development" [Managua BARRICADA 26 Mar 88 p 4]

Efforts To "Reactivate" Managua Militia, Defense Commissions—Elias Chevez, coordinator of the CDS in Managua, announced a city-wide drive to reactivate neighborhood defense commissions. Each commission is composed of a coordinator plus activists from the "Revolutionary Vigilance", the militia, and the SMP [Patriotic Military Service]. The commissions, directed by the FSLN and the CDS, in turn control the "multiple-use brigades" which "carry out political visits to the families of youths about to be mobilized into the active Patriotic Military Service." Work was said to have begun on the

formation of militia platoons, companies, and battalions, composed of women, children under 17, and men over 40. [Managua BARRICADA 21 Mar 88 p 5]

"Political-Ideological Day" in Leon—Rafael Mairena, FSLN secretary for Leon, proclaimed a "Political-Ideological Day" to motivate the people to join the reserve and the militia, reactivate civil defense, improve the "revolutionary vigilance", and carry out operations "in a struggle to the death against speculation." Youth brigades formed by the JS [Sandinist Youth] have been performing defense and ideological work, and are attempting a "massive incorporation of... all patriotic youths" in their organization. Centerpiece of the "Political-Ideological Day" festivities will be the presentation of 1,500 SMP volunteers. [Managua BARRICADA 28 Mar 88 p 9]

Brigades Raid Managua Markets—Some 1,000 workers organized into "ideological anti-speculation brigades", assisted by the Sandinist Police and Ministry of Domestic Trade personnel, carried out early-morning raids of the Oriental, Israel Lewites, and Roberto Huembes markets in Managua. Hoarded and adulterated goods were confiscated, and illegal merchants were "dislodged". Any merchant transporting large amounts of a basic product, such as 20 pounds or more of rice, had his store confiscated. [Managua EL NUEVO DIARIO 16 Mar 88 pp 1,8]

Masaya Action Against Speculation—Goods in 25 Masaya stores were confiscated during a large-scale action led by the Ministry of Domestic Trade, the Sandinist Police, and mass organizations. Products confiscated included cooking oil, sugar, rice, soap, and corn, being hoarded "because the owners expected price increases." [Managua BARRICADA 13 Mar 88 p 8]

Antispeculation Brigades in Managua—Enforcement of "social control" over goods is being carried out in Managua neighborhoods by "antispeculation brigades" and the supply commissions, headed by local FSLN and CDS activists. These groups "discuss" prices and distribution of goods with merchants, and are assisted by "people's inspectors" who check local prices and means of distribution against those in practice elsewhere. [Managua BARRICADA 27 Mar 88 p 2]

Carrión on Compacting Guidelines—Carlos Carrión, FSLN coordinator for Region 3, declared that the government will not lay off persons demobilized from military service, regardless of their qualifications. The situation of working women will be changed to achieve a more equitable distribution of layoffs between sexes, he added. Carrión called on the CDS and women's organizations to form commissions to assist the unemployed, especially female heads of households. [Managua BARRICADA 17 Mar 88 p 5]

Employment Commission Formed—A National Employment Commission was recently formed to operate in every region of the country. It consists of the minister of labor and representatives from UNE [National Union of Employees], CST [Sandinist Workers' Union], ATC [Rural Workers' Association], UNAG [National Union of Farmers and Cattlemen], and of the presidency. According to Bayardo Salmeron, director general for employment, two important tasks assigned to the commission will be to monitor job openings in all economic sectors and to assist unemployed workers who "wish to enter agricultural production." Meanwhile, requests for personnel cuts have been received by the ministry from the following enterprises: Sovipe, 344 workers; Enicons, 60; Texnicsa, 107; Texnicsa II, 44; Borden Chemicals, 27; and EL NUEVO DIARIO, 36. [Managua BARRICADA 24 Mar 88 p 2]

3,000 Layoffs in ENABAS—Some 3,000 workers have been laid off in ENABAS [Basic Foods Enterprise], mostly women from the packing sector and from administration and Plant No 1. Layoffs began Friday 18 March, and are expected to continue. Among the workers released were two men demobilized from military service, and several pregnant women. [Managua LA PRENSA 24 Mar 88 p 7]

Government Permission for Layoffs Required—Not a single worker can be laid off by any enterprise without authorization by the Ministry of Labor and the approval of the trade union concerned, Transito Gomez, the ministry's director general for salaries, told an assembly of agricultural support workers. In that forum trade union leaders voiced concerns which have arisen "due to the wrong interpretation which some enterprise directors apply to the monetary reforms and the compacting process." Proagro's union leader complained that this enterprise cut personnel by 50 percent in January, and is now requesting an additional 50-percent cut. Salaries are increased without ministry approval. "Many workers play along with the directors and don't struggle for the cause of labor," said a Proagro worker. A unionist from Agyomac enterprise opined: "The hardest hit by the compacting are going to be the grassroots workers, since the bosses are going to be accommodated to prevent causing them problems." [Managua BARRICADA 14 Mar 88 p 8]

Work Available in Cooperatives—"In theory, we have land and work" in Region 1, said MIDINRA [Ministry of Agrarian Reform] delegate Alvaro Reyes. He pointed out that 3,400 workers are needed to staff the 560 cooperatives in Las Segovias. [Managua BARRICADA 21 Mar 88 p 4]

"Harsh" Criticism of Cooperatives—Ricardo Valenzuela, member of UNAG's Region 2 executive committee, delivered a "harsh criticism" of the work of the Sandinist cooperatives [CAS] in the region. He cited labor indiscipline as one of the chief problems with the

CAS, reflected in poor utilization of materials, and in workers "who don't want to work, who go off to orgies on their tractors, drink liquor, and go to cockfights." Another problem was the "desertion" of cooperative members. On the positive side, the work of military defense performed by the cooperatives was considered "a fundamental achievement". The central government chose 92 cooperatives in the region for special assistance following the economic reform, based mostly on military criteria "calibrated with production efficiency." To date 8,700 families are working 194,604 manzanas of land in Region 2 cooperatives of all types. A total of 264,723 manzanas is projected for the future. [Managua BARRICADA 28 Mar 88 p 9]

Soviet Technicians in Tracsa—Ten Soviet technicians currently support 83 Nicaraguans at the workshop of Tracsa, a Construction Ministry enterprise. Two teams of Soviet advisors have already served in the workshop, their tours of duty lasting 2 or 3 years. Most of the Soviets have served in other areas of the Third World, particularly in Africa. A Nicaraguan worker said of his Soviet counterparts: "They are simple, friendly people, and there's enough understanding despite the language barrier." [Managua BARRICADA 20 Mar 88 p 4]

USSR Fish Donation—The USSR turned over to the Nicaraguan Government 700 tons of mackerel at Corinto, third installment of a 2,000-ton donation agreed by the two nations in September 1987. The next installment will consist of fishing equipment and the materials to build a navigation school in Bluefields. [Managua BARRICADA 20 Mar 88 p 2]

Bulgarian Donation of 6,000 Tons—A Bulgarian ship arrived in Corinto with a 6,000-ton donation of tires, chemicals, medicines, preserves, and other materials destined for the Ministries of Health, Industry, Construction, and Domestic Trade, among others. [Managua BARRICADA 22 Mar 88 p 11]

21 Cases of AIDS Reported—Tests of 12,040 persons belonging to high-risk groups ("blood donors, homosexuals, bisexuals, prostitutes, and promiscuous heterosexuals") turned up 21 cases of positive AIDS infection, all of them foreigners residing in Nicaragua. This was reported by Leonel Arquello, chairman of the National AIDS Commission, who added that no Nicaraguan has tested positive to this date. [Managua BARRICADA 28 Mar 88 p 1]

Arce: Youth Prioritized in 1988—The National Directorate of the FSLN has prioritized work among youth in 1988, stated Directorate member Bayardo Arce at a meeting of the Sandinist Youth national executive committee. At the meeting JS chief Pedro Hurtado announced that the national council of this organization will convene in Leon in July 1988. The fourth JS assembly will take place in November of this year. [Managua BARRICADA 24 Mar 88 p 6]

New Economic-Measures Package Viewed
33480085a Lima CARETAS in Spanish
29 Feb 88 pp 16-17

[Text] This Thursday the Council of Ministers will discuss a huge package of measures which, having been drafted by the Ministry of Economy and Finance and approved in principle by the president of the republic, will be implemented by the government in the first weeks of March. The proposed package combines two types of measures, orthodox and unorthodox, to be applied over a 48-hour period.

In fact, on the first day a "selective orthodox adjustment" is proposed for the purpose of moderating the 3-percent annual growth rate and eliminating excess demand for non-essential goods and services. Twenty-four hours later, an "unorthodox shock treatment" will be administered in order to freeze the new price system and stabilize purchasing power.

- The orthodox adjustment calls for fiscal, monetary, and exchange measures, which the government has preferred to put off until March to avoid affecting the February inflation index, which threatens to reach 10 percent. Among the fiscal measures, most noteworthy is the increase in the General Sales Tax (IGV), which would be increased from 6 to 10 percent. This has been preceded by a huge jump in the selective excise tax, which is computed as part of the basis for calculating the IGV.
- Another major fiscal measure is the hike in prices and rates. The package proposes an increase of 90 percent in the price of 84-octane gasoline, 110 percent for 95-octane gasoline. Diesel, meanwhile, will rise by 40 percent, and residual, kerosene, and gas by 15 percent. Electricity, telephone, and water rates will climb 60 percent.
- As for wages, beginning the second week in March the minimum legal income will go up by the equivalent of 100 percent of the inflation rate since the last increase. Other pay rates will be readjusted in accordance with a scale that ranges from 80 percent for those who earn up to 6,000 intis, to 50 percent for the bracket of 10,000 to 20,000 intis, and 0 percent for those above 20,000 intis.
- With regard to monetary measures, the package calls for a boost in interest rates, but at the same time selective rates will be created. The increase would be up to 60 or 65 percent of the effective active rate. From that point, preferential treatment would kick in for certain productive sectors that the government wants to promote in this new stage. The monetary measures also include a modification of bank reserve requirements.
- As far as exchange measures are concerned, the proposal envisions raising the MUC to 40.00 intis, maintaining a special rate of 20.00 intis for wheat, corn, and tripe. In addition, a single exchange rate would be set for traditional and nontraditional exports in order to even out the exchange parity they had at the

beginning of the freeze period (July 1985). As for the rate at the bargaining table, the current level being tolerated by the Central Reserve Bank (BCR) will be allowed to be "vindicated."

The exchange measures also envision three programs by the BCR to favor exports by small and medium-sized mining firms, as well as exports of fishmeal and fish for human consumption.

Unorthodox Shock Treatment

Twenty-four hours after the application of the orthodox adjustment, the new "unorthodox shock treatment" would be unveiled. This would consist of a total freeze on prices for 6 months, both for products in the family basket and for non-essential goods. In the latter case, an adjustment would be made in advance.

The total freeze would last until 1 September 1988, and would be accompanied by an intensive price control campaign and the publication of an official list of prices.

In addition to the freeze, the adjustments would be sweetened with the following programs: the cancellation of the agrarian debt, a free medicine project, and another school supplies project.

Some economists believe that if the proposed program is approved by the Council of Ministers, it could generate an inflation higher than 20 percent in the month of March alone, in spite of the electroshock therapy of the freeze.

One analyst adds that the "orthodox adjustment" could well be a deal made earlier with the IMF and the World Bank to make sure that the current negative flow resulting from the foreign debt will become a positive flow, thus allowing us to restore our flagging international reserves.

A more skeptical observer merely remarked that this is just the proposal by the economic team. The most important step remains: for Alan I and the Council of Ministers as a whole to end up making it their own proposal.

08926

Economic Editor Urges Measures To Slow Inflation

33480085b Lima CARETAS in Spanish
29 Feb 88 pp 24-28

[Interview with Felipe Ortiz de Zavallos by Alberto Bonilla: "If I Were Minister of the Economy"]

[Text] Felipe Ortiz de Zavallos, a factotum of support (editor of PERU ECONOMICO, DEBATE, and SEMANA ECONOMICA, among other publications),

explains the adjustment measures that he feels are imperative to prevent the country from heading into a hyperinflation in the Bolivian mode. The immediate measures include:

- Unifying the exchange rates
- Eliminating indiscriminate subsidies
- Raising the General Sales Tax (IGV) from 6 to 11 percent
- Increasing the price of gasoline

Gradual measures include:

- Raising interest rates
- Reducing public spending

[Question] What specific points do you think could make a success out of the joint effort proposed by President Garcia?

[Answer] The government's proposal is healthy, but the economic emergency is so serious that limiting the joint effort to long-term problems such as population, education, and decentralization is insufficient. The government should call for proposals to collaborate on the economic program, which will have very dramatic manifestations in the coming months.

[Question] Perhaps the government feels that economic policy is something it should retain under its own management, without seeking to collaborate with the other parties . . .

[Answer] My opinion is that at this time the government does not have a clear perception of the seriousness of many indicators. To cite just one example, you can't lose more than \$400 million in international reserves in a single year. So far this year, which means just 50 days, \$150 million has already been lost. At this rate, we will scrape the bottom of the dollar barrel in 4 or 5 months, and then the kind of measures that will have to be applied to overcome the situation will require a larger social base than the ruling party has today. The party is wearing itself out with internal struggles that prevent it from presenting a credible and consistent medium-term economic program.

[Question] But that joint effort would imply announcing the end of the unorthodox program. Maybe that is why the government is reluctant to accept the possibility of dealing with the problem . . .

[Answer] I understand that some unorthodox advocates are aware today that there is not much room left for the program they have been pursuing so far. In the first 2 years it was very easy to reach a consensus on objectives and mechanisms, but now there probably aren't even two people on the economic team who think the same way in terms of priorities, mechanisms, and urgencies. Therefore, the situation is critical not only because of a diagnostic problem, but also because of a treatment

problem. The economic team, which should be a well-tuned orchestra to manage a situation like the one today, is waging internecine battles due to significant differences over priorities and the definition of problems.

[Question] The selective growth that is being announced now—could it be a kind of reconciliation among the battling sectors within the government?

[Answer] Yes, I think the idea of selective growth has emerged from the realization that there cannot be widespread growth as there was in 1986. By 1987, there was no growth at all. The GDP in December 1987 was lower than in December 1986. In view of this situation, the government is apparently putting forth a rather simplistic proposal of categorizing all goods and services as either social or non-essential, and saying that at least the social ones will grow by 4 or 5 percent. But for social goods to grow at that rate, the non-essential goods will have to fall in the same proportion. This brings with it a variety of problems: The first is that while it is obvious that water and rice are social goods and whiskey and imported cheese are non-essential goods, when you leave those extremes and begin analyzing the 400 products in between, it is very difficult to decide what is a social good and what is a non-essential good. It is a matter of definition, an economic decision as to what is social and what is non-essential. In the second place, it is extremely complicated to establish a mechanism or system of tax incentives, credit incentives, exchange rates, and quotas to give to the social side what is taken away from the non-essential side in order to guarantee that part of the economy continues to grow. In the final analysis, the economy is a single entity, and it is very difficult to divide production so sharply between social and non-essential. For a politician it is very attractive to say that at least there is a social sector that will grow at 5 percent, but that means that the so-called non-essential sector will decline by 5 percent.

[Question] Obviously everyone will want to be a producer of social goods. Who determines what item is classified socially as a priority?

[Answer] When the president stated at the swearing-in ceremony of the new justice minister that the ministry should include anti-corruption measures among its functions, he was already expressing in a certain way a legitimate fear about what will happen when bureaucrats must place the seal of approval on certain products to declare them social. This proposal, which sounds attractive politically, has no economic or administrative validity.

[Question] What must be done, then?

[Answer] You see, consumption has increased an average of 30 percent, while production has risen only 15 percent, 8 percent in 1986 and 7 percent in 1987. So the problem is that Peru consumes 30 percent more chicken than in 1985 but produces only 15 percent more than

that year. So far the problem has been solved by importing chicken from Brazil, but we have now run out of dollars. The only solution is an adjustment process that involves cutting overall consumption in the country by at least 15 percent. Some people say that this reduction in consumption cannot be undertaken indiscriminately, and that consumption by privileged groups should be restricted more. That is an entirely valid objective, and the selective excise tax points to that solution. But the fact is, in 1988 the average Peruvian must consume 15 percent less than in 1987. The adjustment program presented by the government and backed by the opposition parties will have to take care of that, or else there will be inflation; there is no alternative . . .

[Question] There are those who say that such a reduction would be very drastic, especially among the less affluent sectors . . .

[Answer] The problem is that the alternative to the adjustment is hyperinflation, every man for himself. When 100 people share a meal and there is only enough food for 85, you have a stampede. In 1988, people in Peru on the average will eat 15 percent less than they did in 1987, because until 1987 we imported that 15 percent, and we will not be able to now because there are no reserves. The ideal option would be for the poorest to eat the same amount while the population as a whole still averages 15 percent less, but that is the ideal. What we must avoid at all costs is an every man for himself situation, because then the poorest will suffer the most. That is what has happened in previous hyperinflation situations. And the threat of hyperinflation is there. The first week in February inflation was 3.8 percent, but food prices rose 7 percent. If you ask why food prices went up 7 percent in a week, you will find no explanation. There has been no increase in wages. The dollar went up for all products except for foodstuffs, simply because we can no longer import them. This development in the food sector is quite worrisome. Now, the adjustment requires a broader social support than the American Popular Revolutionary Alliance (APRA) alone can provide today.

[Question] How long can the government continue this inaction in the face of the crisis before the hyperinflation sets in?

[Answer] That is a question like the one about how long the airplane has before it crashes into the mountain. We'll have to see, but I don't think it has more than a month, because . . .

[Question] It's as drastic as that?

[Answer] In December there was a 50-percent devaluation, and the reserves lost \$97 million. In January, after the devaluation, the loss amounted to \$81 million. It's not that the loss of reserves has slowed down. At this time we have only \$400 million left in gold and silver bars, and the government will have to sell them off, as it has already begun to do. After those bars are gone, the

only thing left will be currency, which sells very slowly because giving it away at bargain prices makes no sense. So by May, we will already be out of dollars. At that time, the danger is that the devaluation that will have to be implemented to regain our equilibrium will be such a severe shock that no one can tell what will happen. I really believe, and this is my fear today, that the president is not very aware of this emergency, and that any course correction, as with the airplane approaching the mountain, will have to be done immediately. I think the president is still worried about the impact this may have on the APRA Congress in August, on the make-up of the Front, and on the situation of the United Left (IU) and Alfonso Barrantes. In other words, he is treating this as one card in the whole deck, but I think this is a burning fuse that is already very short . . .

[Question] In any event, the president still has a significant support apparatus, and a survey of all of you indicated that many people accept the adjustment measures . . .

[Answer] Yes, the president does have that advantage for something like this. But he has the disadvantage of his leadership style, which severely limits the formation of a good team because he monopolizes the important decisions. Evidently the economy minister at this time must be someone who, aside from his technical know-how, has some political power, some ability to negotiate seriously with the Armed Forces and with Parliament. Today it is clear that the military probably negotiates its budget directly with the president of the republic.

[Question] Some say that first the readjustment measures must be adopted and then the new minister must be named, someone who will not bear the burden of responsibility for those readjustments. But then there are those who believe that the measures can only be taken by a new minister . . .

[Answer] In the last 3 months, we have seen a trend toward uncertainty and postponement of economic measures. The December devaluation was not as corrective as it could have been because it was not accompanied by the budget adjustments that have recently been taken, partially, with the selective excise tax. It is felt that the gasoline price hike can be put off further, and today we have reached the truly absurd point that it costs more to fill a bottle of mineral water than to fill a cylinder of gas or a tank of gasoline. This is like something out of Ripley's Believe It or Not.

[Question] There are those who are still skeptical about President Garcia's call for a joint effort, and they are not without reason. The decision to nationalize the banks came just when Premier Guillermo Larco Cox was seeking cooperation from the opposition parties . . .

[Answer] I believe that the nationalization of the banks created a very complex situation from the political point of view, one that is very damaging to the president. It

established a watershed in the APRA government between pre-nationalization and post-nationalization, which has enabled Alva Castro to say that he has nothing to do with the post-nationalization period. It created an electoral climate ahead of schedule, and today the political parties are bubbling and boiling when the 1990 elections are still 2 years away. It is always difficult for the opposition to respond to an appeal to pick up the pieces after a consumption binge, but I think that if the situation is explained realistically, there is no other alternative. Otherwise, we will come into 1990 with an inflationary process that will be very difficult to correct. It seems to me that the risk of hyperinflation is there today, and it is very dangerous because beyond a certain level of price increases, as we can see from Bolivia's experience, the process feeds on itself . . .

[Question] Could we reach the levels Bolivia has?

[Answer] Bolivia had a much better inflation record than Peru did; it had less inflation than Peru until 1981, when it reached 125 percent. In 1982, the Bolivian rate was 275 percent, 1,200 percent in 1983, and 12,000 percent in 1984. The thing is, when it begins to go up it doesn't just double, it adds zeros. From the Bolivian experience we can draw the conclusion that once you go past a critical level, inflation begins to rise by itself. It is that point beyond which people will no longer accept long-term contracts. Labor demands are no longer presented once a year, but once a month; home leases are set in terms of months and not years; business transactions do not have a medium-term projection, because everything is bought and sold for today. The critical point is reached when you exceed, let's say, 500 percent a year. That is why I am trying to tell all the opposition parties that the faster they reach a compromise with the government the better, because it is preferable to treat appendicitis rather than peritonitis. If the appendectomy is not performed in the next 2 months, the Peruvian economy will have to go to the emergency room to have surgery for peritonitis. Without limiting their ability to criticize and to have differences of opinion, the parties must give minimal support to make the adjustment process as untraumatic as possible.

[Question] What would you do in the immediate term if you were economy minister?

[Answer] I would pursue a very cautious price and wage policy under which the state, to achieve success, would have to bring together labor and management. Labor is aware of the problem ahead, and of the need to keep the burden of the adjustment from falling entirely on the backs of the poor. Not only is water more expensive than gasoline in Peru, but the products for which the government provides dollars for components at an exchange rate of 16 intis are valued at 35 intis to the dollar, and

then sold on the border at 95 intis. This is the best business going in Peru: loading trucks to the brim with basic goods and crossing the border. There is no need to bring the truck back, either, because it fetches double its purchase price outside the country.

[Question] But what's to be done, then, eliminate the subsidy?

[Answer] Subsidies must be eliminated, and for that purpose they must go down to the union locals and explain why they are eliminating the subsidies.

[Question] Aside from eliminating subsidies, what other measures are necessary at this time?

[Answer] At this time, I would correct the exchange rate, because I think everyone is operating on the basis of 90 intis to the dollar. I would eliminate all the differential rates and let the market forces take over. The exchange rate could balance out at 60 intis, which would have a favorable effect because that would abandon the system of referential indexing against the black market dollar, which is extremely high. Relative prices in Peru are not at a level that can tolerate an exchange rate of 90 intis to the dollar. If everything were allowed to float, I am convinced that things would balance out at 60, which would allow greater freedom, greater flexibility in the management of shortages, and the situation in the next 2 months would be better than it is now.

[Question] What other measures? What about the interest rate?

[Answer] The interest rate is a very complex phenomenon, because it has the negative effect of delegating costs, but it also has the positive effect of increasing savings, and at this time a significant asset is the ability to slow down the circulation of money. But if we do not go up to a rate that really stimulates savings, we pay the negative cost, and we do not receive any of the benefits. I think that the interest rate can be handled in a slightly more politically prudent way. Then there must be at least a partial reduction of public spending, or at least a ceiling on its expansion.

[Question] To what extent can public spending be restricted?

[Answer] Not much, there is also a limit there. But taxes must go up a little: the IGV from 6 to 11, for example. I think that what is needed is 40 billion to 50 billion, not 12 billion, which is what the government thinks the selective excise tax will generate. We need two or three times that amount.

Robinson Discusses, Refutes Threat of Dictatorship

32980158a Port-of-Spain SUNDAY GUARDIAN
in English 6 Mar 88 p 1

[Article by Clevon Raphael]

[Text] The threat of dictatorship does not exist in Trinidad and Tobago today, and it could only come about if people create confusion in the country, Prime Minister Arthur Robinson warned yesterday afternoon.

Addressing a special meeting of the National Organisation for Youth Development (NOYD) youth arm of the ruling National Alliance for Reconstruction (NAR), the Prime Minister severely criticized a weekly newspaper report which said that he was wearing a bullet proof vest. He called on the Media Association of Trinidad and Tobago (MATT) to deal with that kind of mischievous and irresponsible journalism.

Speaking to his audience at the St Augustine Senior Comprehensive School, Mr Robinson said the threat of dictatorship in Trinidad and Tobago did not exist today, and anyone suggesting that "is flying in the face of history and reality."

Mr Robinson noted that unless we adjust to the situation of declining income, the young people would suffer; those who could afford to do so would be moving out to places like North America.

Those who stay might find themselves in traumatic conditions of social unrest, bloodshed of one kind or the other, leading to iron fist dictatorship in order to maintain law and order.

Create Confusion

He continued:

"Dictatorship will only come if you create confusion in Trinidad and Tobago today.

"That is where the dictatorship will come, if you create confusion, then the only way out of that confusion as the history of all developing countries has shown, is going to be a dictatorship."

Trinidad and Tobago, he contended, has a very liberal and democratic Government. Challenging the youths to look around the developing world to see if they could find the degree of freedom that exists in this country, he told the news media and the weekly Press in particular:

"In fact they are so free they can go about saying that they find the Prime Minister wearing a bullet-proof vest.

"That is mischief, that is not journalism. That is wickedness.

"I wonder if you understand the sort of irresponsible stupidity which makes a so-called journalist write in a newspaper the Prime Minister of Trinidad and Tobago is wearing a bullet-proof vest.

"What is he thinking of? I want you to understand the danger in that kind of mischief. Is he thinking now that the psychology of the Prime Minister is that somebody is going to shoot him, and is he suggesting that somebody should shoot the Prime Minister?

"I want you to understand what that kind of stupidity can lead to. And that is the kind of journalism we have in some quarters of the media in Trinidad and Tobago today.

"This is not only dangerous, but can be destructive of people's reputation, people who have no means of defending themselves.

Journalists' Association

"I would suggest to the journalists' association that it should address itself to such matters."

Freedom, he said, carries with it responsibility, and where there is no responsibility that freedom will not last.

Chairman of NOYD Ganga Singh, said that the meeting took place at a time when the party was going through an intense period of turmoil, but counselled that the youths of the party had a part to play in bringing about peace in the ranks.

08309

Central Bank Reports on 1987 Economic Performance

32980158b Bridgetown CANA in English
2311 GMT 16 Mar 88

[Text] Port of Spain, March 16—The Trinidad and Tobago economy declined by 6.1 percent in 1987, according to the Central Bank's 1987 final quarters economic bulletin made public yesterday.

Among the factors which provided evidence of the weakened performance of the economy during the fourth quarter of 1987 were the continuing decline in domestic crude oil production, the adverse fiscal position of the government, and the continuing pressure on the country's foreign exchange reserves, the review said.

Total oil production fell by 9.2 per cent for 1987 over 1986 figures. Final output was 973.6 cubic metres. Usually lucrative marine oil production fell even further by 12.7 per cent in 1987.

Central Bank said it anticipated a change in this trend as a result of changes in the tax regime for the oil industry introduced in the January 1988 budget.

Government spending fell by 10.3 percent for 1987 over 1986. However, capital spending suffered mostly as a result of the cuts. A 75.8 per cent cut in capital spending brought the 1987 capital expenditure bill to TT211.2 million dollars (one TT dollar : 27.7 U.S. cents).

Government was only able to cut its recurrent spending by 1.1 per cent—to 6.1 billion dollars—as cuts in day to day spending were offset by an increase in interest payments on loans.

Government also benefitted from increased oil prices which slightly increased over 1987 levels, meaning a 17.6 per cent increase in the value of oil receipts despite declining production.

The central government deficit stood at 993.6 million dollars—31.4 per cent less than the 1986 deficit, Central Bank said.

The foreign exchange picture was a mixed one with Central Bank claiming final reserves of 322.1 million dollars left in the country—278.1 million held at Central Bank. Government Information Department, however, had said earlier this week this figure was 299 million dollars at the end of the year.

Central Bank said its final 1987 quarter reserves were affected by the usual influx of end of year requests, an increased inflow from intra-regional trade, and an increase in the net investment balance due to the money drawn from the country's International Monetary Fund

(IMF) Special Drawing Rights (SDR) pool. Central Bank said 117,000 dollars was left in that original 216.2 million dollars SDR account by the end of last year.

On the less gloomy side, central government was extremely successful in raising money on the local market and a tight international market kept down external borrowing. Government raised a total of 730.8 million dollars in securities in the final quarter of last year—nine times the amount raised for the first nine months of the year.

The home market also proved to be lucrative for two companies making bonus share issues on the stock exchange last year and the semi-government unit trust which offered public share portfolios and achieved its highest ever quarterly sales level in the final three months of 1987.

Trinidad and Tobago also registered overall improvement in its trading. This showed in a 155.5 million dollars surplus with Trinidad's international trade partners at the end of last year.

Total trade between Trinidad and Tobago and its Caribbean Community partners for the year stood at 737.8 million dollars in comparison with 674.9 million dollars in 1986. This country registered a 343 million dollar surplus—some 100 million dollars more than 1986—in its Caricom trading.

Trinidad also recorded surpluses with eleven of its Caricom partners, the largest surpluses with Barbados (123.9 million dollars) and Jamaica (55.8 million dollars) followed by St. Lucia and Antigua.

Consumer prices continued to rise. In 1987, overall prices went up by 10.8 per cent in comparison with the 7.7 per cent increase in 1986 and 1985.

08309

10

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, economic, military, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available source; it should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated. Those from English-language sources are transcribed, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names which are rendered phonetically or transliterated by FBIS/JPRS are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source.

SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in 8 volumes: China, East Europe, Soviet Union, East Asia, Near East & South Asia, Africa (Sub-Sahara), Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications generally contain less time-sensitive information and are published periodically. Current JPRS publications are listed in *Government Reports Announcements* issued semi-monthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcovers or microfiche) at no charge through their sponsoring organizations. DOD consumers are required to submit requests through appropriate

command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.) For additional information or assistance, call FBIS, (703) 527-2368, or write to P.O. Box 2604, Washington, D.C. 20013.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. New subscribers should expect a 30-day delay in receipt of the first issue.

Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.